

APPENDIX A

CASE No. WR-2014-0104

Equity Disposition Agreement with Attachments and Staff Affidavits

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Equipment Disposition Agreement

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

TERRE DU LAC UTILITIES CORPORATION

MO PSC FILE NO. WR-2014-0104

BACKGROUND

Terre Du Lac Utilities Corporation ("Company") initiated the small company revenue increase request ("Request") for water service 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"). The Company's Request is the subject of the above referenced Missouri Public Service Commission ("Commission") File Number. In its letter, which was received at the Commission's offices on October 21, 2013, the Company set forth its Request for an increase of \$32,745 in its total annual water service 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 recommendations. The Company provides service to approximately 1,286 customers, the vast majority of which are residential customers. The Company is located in St. Francois and Washington Counties in Missouri.

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

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

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) The agreed upon revenue requirement increase of \$43,230 (18.95% increase) added to the level of previous revenues of \$228,141 results in overall revenues of \$271,371. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. These amounts are shown on the ratemaking income statement found in Attachment A, incorporated by reference herein;
- (2) The Auditing Unit conducted a full and complete audit of the Company's books and records using the 12-month period September 30, 2013, updated to December 31, 2013, with isolated adjustments out to June 30, 2014, as the basis for the revenue requirement determined above. The audit findings can be found in Attachment B, incorporated by reference herein;
- (3) The agreed upon net rate base is \$254,928. The development of this amount is shown on the rate base worksheet that is found in Attachment C, incorporated by reference herein. This amount is included in the audit work papers in the ultimate determination of the revenue requirement shown in (1) above;
- (4) Included in Attachment B is the agreed upon capital structure which includes 80.58 % equity for the Company and a return on that equity of 7.438%;
- (5) The schedule of depreciation rates in Attachment D, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of water plant depreciation rates for the Company;
- (6) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment E, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment F, also attached and incorporated by reference herein;
- (7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment E. The proposed tariff revisions will bear an effective date of September 1, 2014;
- (8) The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2, which includes the example tariffs described above;

(9) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Auditing Unit Recommendation Memorandum attached hereto as Attachment H and incorporated by reference herein, and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Unit:

- (a) The Company will report all plant additions related to customer services to Account 345-Customer Services for Water Operations per the Uniform System of Accounts, or other similar accounts as required by 4 CSR 240-3.640 and 4 CSR 240-50.030;
- (b) The Company will back up all books and records recorded in its Peachtree Accounting System to ensure proper maintenance of Company documentation; and
- (c) The Company will back up all meter readings and water loss data recorded in its Thoroughbred Database System on a monthly basis to ensure proper maintenance of Company water usage and loss information;

(10) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Engineering & Management Services Unit ("EMSU") Report, attached hereto as Attachment I and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission's EMSU Unit:

- (a) The Company will maintain Commission approved estimation procedures to ensure the Company adheres to Commission Rule 4 CSR 240-13.020(2)(C) in the event that an estimate is necessary; and
- (b) The Company will discontinue the practice of discontinuing service due to a delinquent non-pay account being paid with an insufficient funds check without proper notification to the customer. Make a reasonable effort to contact customers 24 hours in advance of a service discontinuance, notifying them of the impending discontinuance of service and the amount owed to avoid it, as required by 4 CSR 240-13.050(7);

(11) Within sixty (60) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Water & Sewer Unit Memorandum, attached hereto as Attachment G and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission's Water & Sewer Unit:

- (a) The Company will begin planning and development of additional source of water supply, with at least one new well or other source to be placed into service within twelve (12) months; and
 - (b) The Company will begin development and implementation of a valve exercise program that includes identification of critical valves, an inspection/operation schedule, and recordkeeping;
- (12) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Engineering & Management Services Unit (“EMSU”) Report, attached hereto as Attachment I and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission’s EMSU Unit:
- (a) The Company will develop written job descriptions for each position at the Company that adequately reflects the employees’ current job duties and responsibilities;
 - (b) The Company will develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded;
 - (c) The Company will 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;
 - (d) The Company will consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.050, to assist the Company in its management of bad debt; and
 - (e) The Company will evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts;
- (13) Within one hundred eighty (180) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Auditing Unit Report attached hereto as Attachment H and incorporated by reference herein and provide proof of implementing the recommendations to the Manager of the Commission’s Auditing Unit:
- (a) The Company will improve its methods and procedures for tracking when customers join and leave the system;

- (b) The Company will begin tracking costs related to each customer connection to the water system using the form attached to this memorandum;
 - (c) The Company will 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 accounts should be made on a quarterly basis;
 - (d) The Company will record customer connection fees collected as a separate journal entry to ensure these amounts are properly reflected in Company's Contribution in Aid to Construction (CIAC) balance. All journal entries related to customer accounts should be made on a quarterly basis;
 - (e) The Company will immediately begin recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of cost;
 - (f) The Company will track all meters installed on its water system separately from these costs recorded in item (13) (b) 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; and
 - (g) The Company will 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;
 - (h) On or before August 15th of each year, Terre Du Lac shall provide to the manager of Auditing copies of disks containing the final billed water usage 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 Auditing copies of disks containing the final billed water usage and all miscellaneous revenues for each month on a separate basis for the period covering July through December.
- (14) The rates agreed to herein reflect salary increases for Company employees Mike Tilley, Robert Ludwig and Ryan Scaggs. These salary increases will take effect on September 1, 2014, and the Company shall provide proof of the same (i.e., copies of W-4s, cancelled payroll checks and Federal Forms 940 and 941) to the Manager of the Auditing Unit for the Staff and the Chief Accountant for OPC by September 15, 2014, or if not final by that date, within three days of the documents' respective submission to the employee or regulatory entity;

- (15) The Company will use the appropriate annual report form for Water and Sewer utilities, as specified by Missouri State Codes of Regulation, 4 CSR 240-3.640 and 4 CSR 240-50.030, 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). The Audit Staff is available to assist the Company with this recommendation. The Audit Staff recommends the Company do this in conjunction with the Company filing its next Annual Report to the Missouri Public Service Commission;
- (16) The Company will continue to record master meter readings at a minimum on five days per week in a master meter log, and the Company make the meter log available for review upon Staff's request;
- (17) The Company will file a rate case within eighteen (18) months after the effective date of the rates set in this case for both its water and sewer systems;
- (18) The Company and Staff agree rate case expense to be included in this case will be normalized over 24 months;
- (19) The Company will file all future operating revenue increase requests for both its water and sewer systems concurrently;
- (20) The Company will mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Company/Staff Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;
- (21) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;
- (22) Staff or Public Counsel may file a formal complaint against the Company if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;
- (23) The Company and Staff agree that they have read the foregoing Company/Staff Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and
- (24) The above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Company/Staff Disposition Agreement reflect compromises between Staff and the Company. In arriving at the amount of the annual operating revenue increase specified herein, neither party has agreed to any particular ratemaking principle.


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

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

Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff and Public Counsel shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff and Public Counsel will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

SIGNATURES

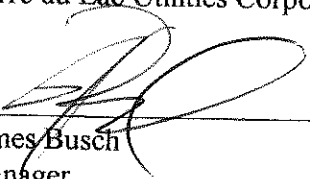
Agreement Signed and Dated:



Michael Tilley
President
Terre du Lac Utilities Corporation

7-23-14

Date



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

7/23/14

Date

List of Attachments

- Attachment A – Ratemaking Income Statement
- Attachment B – EMS Run
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Agreement Attachment A
Ratemaking Income Statement

TERRE DU LAC UTILITIES CORPORATION

Rate Making Income Statement-Water

Operating Revenues at Current Rates		Base Charge	Commodity
1	Tariffed Rate Revenues *	\$ 125,963	\$ 92,333
2	Other Operating Revenues *	\$ 4,923	\$ 4,923
3	Total Operating Revenues	\$ 130,886	\$ 97,256

4 * See "Revenues - Current Rates" for Details

Cost of Service		Base Charge	Commodity
Item	Amount		
1	Salaries & Wages	\$ 84,948	\$ 28,316
2	Payroll-Overtime	\$ -	\$ -
3	Employee Benefits-Bonuses	\$ -	\$ -
4	Uniform Allowance	\$ 1,233	\$ 411
5	Electricity	\$ -	\$ 19,369
6	Water Treatment -Chemicals	\$ -	\$ 4,001
7	Outside Services-MO One Call	\$ -	\$ -
8	Outside Services-Schultz Surveying & Engineering	\$ -	\$ -
9	Outside Services-Larry Hawkins Excavating	\$ -	\$ -
10	Outside Services-Lawn Mowing	\$ -	\$ -
11	Management Fees	\$ -	\$ -
12	Operating Supplies-Water Lines	\$ -	\$ 1,192
13	Operating Supplies & Expense	\$ 6,582	\$ -
14	Equipment Rental	\$ 86	\$ -
15	Misc. Supplies	\$ -	\$ -
16	System Repairs and Maintenance	\$ 394	\$ 394
17	Maintenance-Other Plant Facilities	\$ 1,295	\$ -
18	Billing & Collections	\$ 1,514	\$ -
19	Office Supplies	\$ 466	\$ -
20	Postage Expense	\$ 2,974	\$ -
21	Uncollectible Accounts	\$ 99	\$ -
22	DNR-Phase 1 Grant Expense	\$ 173	\$ -
23	General & Administrative-Outside Services	\$ 1,087	\$ 362
24	General & Administrative-Accounting Fees	\$ 1,168	\$ 389
24	Professional Development	\$ 373	\$ 124
25	Telephone & Internet Expense	\$ 1,837	\$ -
26	Backhoe Expense	\$ 874	\$ -
27	Transportation Expense	\$ 4,525	\$ 4,525
28	Property & Liability Insurance	\$ 7,527	\$ -
29	Employee Pensions & Benefits	\$ 13,609	\$ 4,536
30	Workers Compensation Insurance	\$ 1,454	\$ 485
31	Maintenance-Building Expenses	\$ 105	\$ -
32	Rate Case Expense	\$ 1,768	\$ -
33	MO DNR -Lab Testing	\$ -	\$ 200
34	Regulatory Commission Expense	\$ 1,012	\$ 1,012
35	Director of Revenue	\$ 171	\$ -
36	Terre Du Lac Property Owners Association Dues	\$ 810	\$ -
37	RWA Fees	\$ 595	\$ -
38	Corporate Registration	\$ 10	\$ -
39	Miscellaneous General Expenses	\$ 218	\$ -
40	Sub-Total Operating Expenses	\$ 136,905	\$ 65,316
41	Property Taxes	\$ 2,011	\$ -
42	MO Franchise Taxes	\$ -	\$ -
43	Employer FICA Taxes	\$ 8,665	\$ 2,888
44	Federal Unemployment Taxes	\$ -	\$ -
45	State Unemployment Taxes	\$ -	\$ -
46	State & Federal Income Taxes	\$ 4,722	\$ -
47	Sub-Total Taxes	\$ 15,398	\$ 2,888
48	Depreciation Expense	\$ 16,669	\$ 11,112
49	Interest Expense	\$ 1,603	\$ 1,069
50	Amortization Expense	\$ 869	\$ 580
51	Sub-Total Depreciation/Interest/Amortization	\$ 19,141	\$ 12,761
52	Return on Rate Base	\$ 11,377	\$ 7,585
53	Total Cost of Service	\$ 182,821	\$ 88,550
54	Overall Revenue Increase Needed	\$ 43,230	\$ (8,706)

Agreement Attachment B

EMS Run

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2014-0104
Date Prepared: 1/1/2014



MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION
STAFF ACCOUNTING SCHEDULES

TERRE DU LAC UTILITIES CORPORATION
CASE NO. WR-2014-0104

Jefferson City, Missouri

Jan-14

Terre Du Lac Utilities Corporation
 Informal Case/Rate Case
 WR-2014-0104
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 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) \$218,296			
Rev-3	Miscellaneous Revenues		(1) \$9,845			
Rev-4	TOTAL ANNUALIZED REVENUES		<u>\$228,141</u>			
1	OPERATIONS EXPENSES	(2)				
2	Salaries & Wages		\$113,264	\$0	\$113,264	0.00%
3	Operator - Water System		\$0	\$0	\$0	0.00%
4	Payroll - Overtime Pay		\$0	\$0	\$0	0.00%
5	Payroll - Sick Pay		\$0	\$0	\$0	0.00%
6	Payroll - Holiday Pay		\$0	\$0	\$0	0.00%
7	Payroll - Vacation Pay		\$0	\$0	\$0	0.00%
8	Payroll - Bonuses		\$0	\$0	\$0	0.00%
9	Uniform Allowance		\$1,644	\$0	\$1,644	0.00%
10	Electricity (Pumping, Office and Shop)		\$19,369	\$0	\$19,369	0.00%
11	Chemicals-(Hypochlorite)		\$4,001	\$0	\$4,001	0.00%
12	TOTAL OPERATIONS EXPENSE		<u>\$138,278</u>	<u>\$0</u>	<u>\$138,278</u>	
13	MAINTENANCE EXPENSES					
14	Outside Services - Schultz Surveying & Engineering		\$0	\$0	\$0	0.00%
15	Outside Services - Meter Reading		\$0	\$0	\$0	0.00%
16	Operating Supplies & Expense		\$6,582	\$0	\$6,582	0.00%
17	Operating Supplies - Water Lines		\$1,192	\$0	\$1,192	0.00%
18	Equipment Rental		\$86	\$0	\$86	0.00%
19	System Maintenance (Wells, Supply & Eng, Pump Equip, Mains)		\$787	\$0	\$787	0.00%
20	Maintenance - Other Plant Facilities		\$1,295	\$0	\$1,295	0.00%
21	TOTAL MAINTENANCE EXPENSE		<u>\$9,942</u>	<u>\$0</u>	<u>\$9,942</u>	
22	CUSTOMER ACCOUNT EXPENSE					
23	Accounting Fees		\$0	\$0	\$0	0.00%
24	Billing & Collections		\$1,514	\$0	\$1,514	0.00%
25	Office Supplies		\$466	\$0	\$466	0.00%
26	Postage		\$2,974	\$0	\$2,974	0.00%
27	Uncollectible Accounts		\$99	\$0	\$99	0.00%
28	TOTAL CUSTOMER ACCOUNT EXPENSE		<u>\$5,053</u>	<u>\$0</u>	<u>\$5,053</u>	
29	ADMINISTRATIVE & GENERAL EXPENSES					
30	DNR - Phase I Grant Expense		\$173	\$0	\$173	0.00%
31	General & Administrative - Outside Services		\$1,449	\$0	\$1,449	0.00%
32	General & Administrative - Legal Fees		\$0	\$0	\$0	0.00%
33	General & Administrative - Accounting Fees		\$1,557	\$0	\$1,557	0.00%
34	Professional Development		\$497	\$0	\$497	0.00%
35	Office Phone & Wireless Phones		\$1,478	\$0	\$1,478	0.00%
36	Big River Broadband - Internet Service		\$359	\$0	\$359	0.00%
37	Backhoe Expense		\$874	\$0	\$874	0.00%
38	Vehicle Expense		\$1,879	\$0	\$1,879	0.00%
39	Mileage - Kathy Tilley		\$781	\$0	\$781	0.00%
40	Fuel Expense (Regular & Diesel for Vehicles & Equipment)		\$6,389	\$0	\$6,389	0.00%
41	Insurance - Medical (Francis, Kaye, Mike & Kathy Tilley)		\$16,493	\$0	\$16,493	0.00%
42	Insurance - Dental & Life (Francis, Mike and Kathy Tilley)		\$1,652	\$0	\$1,652	0.00%
43	Insurance - Property & Casualty		\$6,464	\$0	\$6,464	0.00%
44	Insurance - Workers Compensation		\$1,939	\$0	\$1,939	0.00%
45	Insurance - Vehicles		\$1,063	\$0	\$1,063	0.00%
46	Insurance - Life - Owners' Policy (key employee coverage)		\$0	\$0	\$0	0.00%
47	Insurance - Misc Coverage		\$0	\$0	\$0	0.00%

Terre Du Lac Utilities Corporation
 Informal Case/Rate Case
 WR-2014-0104
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Rate Design Schedule - Water

A	B	C	D	E	F	
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
48	Maintenance - Building Expense		\$105	\$0	\$105	0.00%
49	Other Misc. Expenses		\$218	\$0	\$218	0.00%
50	Rate Case Expense		\$1,768	\$0	\$1,768	0.00%
51	TOTAL ADMINISTRATIVE AND GENERAL		\$45,138	\$0	\$45,138	
52	OTHER OPERATING EXPENSES					
53	MO DNR Fees - Permits		\$0	\$0	\$0	0.00%
54	MO DNR Fees - Lab Testing		\$200	\$0	\$200	0.00%
55	PSC Assessment		\$2,024	\$0	\$2,024	0.00%
56	Terre Du Lac Property Owners Association Dues		\$810	\$0	\$810	0.00%
57	Rural Water Association Dues & Training Courses		\$595	\$0	\$595	0.00%
58	Director of Revenue - Vehicle Licensing and Fees		\$171	\$0	\$171	0.00%
59	Corporate Registration		\$10	\$0	\$10	0.00%
60	Amortization Expense		\$1,449	\$0	\$1,449	0.00%
61	Depreciation		\$27,781	\$0	\$27,781	0.00%
62	TOTAL OTHER OPERATING EXPENSES		\$33,040	\$0	\$33,040	
63	TAXES OTHER THAN INCOME					
64	Real & Personal Property Taxes		\$2,011	\$0	\$2,011	0.00%
65	Payroll Taxes		\$11,553	\$0	\$11,553	0.00%
66	Sales Tax Paid for 2012 Toyota Tundra 4x4 Pickup		\$0	\$0	\$0	0.00%
67	TOTAL TAXES OTHER THAN INCOME		\$13,564	\$0	\$13,564	
68	TOTAL OPERATING EXPENSES		\$245,015	\$0	\$245,015	
69	Interest Expense	(3)	\$2,672	\$0	\$2,672	0.00%
70	Return on Equity	(3)	\$18,962	\$0	\$18,962	0.00%
71	Income Taxes	(3)	\$4,722	\$0	\$4,722	0.00%
72	TOTAL INTEREST RETURN & TAXES		\$26,356	\$0	\$26,356	
73	TOTAL COST OF SERVICE		\$271,371	\$0	\$271,371	
74	Less: Miscellaneous Revenues		\$9,845	\$0	\$9,845	0.00%
75	COST TO RECOVER IN RATES		\$261,526	\$0	\$261,526	
76	INCREMENTAL INCREASE IN RATE REVENUES		\$43,230			
77	PERCENTAGE OF INCREASE		18.95%			
78	REQUESTED INCREASE IN REVENUES		\$0			

- (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-2014-0104
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Rate Base Required Return on Investment Schedule - Water

Line Number	A Rate Base Description	B Dollar Amount	
1	Plant In Service	\$910,942	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$471,018	From Depreciation Reserve Schedule
3	Net Plant In Service	\$439,924	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$246,072	
	CIAC Depreciation	\$60,324	
	Inventory (at 12/31/2013)	\$752	
5	Total Rate Base	\$254,928	
6	Total Weighted Rate of Return Including Income Tax	10.34%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	\$26,355	

Terre Du Lac Utilities Corporation
 Informal Case/Rate Case
 WR-2014-0104
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 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			7.44%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax			9.29%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			1.05%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax			10.34%	$B6 + B7$

To Rate Base Schedule

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

Equity Income Required \$22,308
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$22,308	\$3,346
\$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
			\$22,308	\$3,346
			Consolidated Tax Rate:	
			Average Tax Rate: 0.15	

Terre Du Lac Utilities Corporation
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 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	\$205,430	80.58%	9.23%	7.438%
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	\$49,498	19.42%	5.40%	1.048%
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>\$254,928</u>	<u>100.00%</u>		<u>8.486%</u>

To PreTax Return Rate Schedule

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

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 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		TOTAL INTANGIBLE PLANT	<u>\$203,633</u>		<u>\$0</u>		<u>\$203,633</u>
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$0			100.00%	\$0
6	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
7	314.000	Wells and Springs	\$28,313			100.00%	\$28,313
8	316.000	Supply Mains	\$0			100.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	<u>\$28,313</u>		<u>\$0</u>		<u>\$28,313</u>
10		PUMPING PLANT					
11	321.000	Structures & Improvements - Well House	\$0			100.00%	\$0
12	325.000	Submersible Pumping Equipment	\$46,820	P-12	-\$4,158	100.00%	\$42,662
13		TOTAL PUMPING PLANT	<u>\$46,820</u>		<u>-\$4,158</u>		<u>\$42,662</u>
14		WATER TREATMENT PLANT					
15	332.000	Water Treatment Equipment	\$1,841	P-15	\$544	100.00%	\$2,385
16		TOTAL WATER TREATMENT PLANT	<u>\$1,841</u>		<u>\$544</u>		<u>\$2,385</u>
17		TRANSMISSION & DISTRIBUTION PLANT					
18	342.000	Distribution Reservoirs & Standpipes	\$49,721			100.00%	\$49,721
19	343.000	Transmission & Distribution Mains	\$58,275			100.00%	\$58,275
20	345.000	Services	\$305,987			100.00%	\$305,987
21	346.100	Meters- Bronze Chamber	\$0			100.00%	\$0
22	346.200	Meters- Plastic Chamber	\$78,897	P-22	-\$1,915	100.00%	\$76,982
23	347.000	Meters Installations - Bronze Chamber	\$0			100.00%	\$0
24	347.200	Meters Installations- Plastic Chamber	\$39,252	P-24	-\$762	100.00%	\$38,490
25	348.000	Hydrants	\$23,424	P-25	-\$1,120	100.00%	\$22,304
26		TOTAL TRANS. & DISTRIBUTION PLANT	<u>\$555,556</u>		<u>-\$3,797</u>		<u>\$551,759</u>
27		GENERAL PLANT					
28	390.000	Structures & Improvements - Office/Shop	\$8,314			100.00%	\$8,314
29	391.000	Office Furniture & Equipment	\$7,528	P-29	\$25	100.00%	\$7,553
30	391.100	Office Computer Equipment	\$852	P-30	\$29	100.00%	\$881
31	392.000	Transportation Equipment	\$33,887	P-31	-\$6,854	100.00%	\$27,033
32	393.000	Stores Equipment	\$0			100.00%	\$0
33	394.000	Tools, Shop and Garage Equipment	\$8,846	P-33	-\$46	100.00%	\$8,800
34	396.000	Power Operated Equipment	\$25,882			100.00%	\$25,882
35	397.000	Communication Equipment	\$3,727			100.00%	\$3,727
36		TOTAL GENERAL PLANT	<u>\$89,036</u>		<u>-\$6,846</u>		<u>\$82,190</u>
37		TOTAL PLANT IN SERVICE	<u>\$925,199</u>		<u>-\$14,257</u>		<u>\$910,942</u>

To Rate Base & Depreciation Schedules

Terre Du Lac Utilities Corporation
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 Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-12	Submersible Pumping Equipment	325.000		-\$4,158
	1. To reflect replacement of pump on Well #3 on 1/13/2013 (Grissum)		\$10,775	
	2. To reflect retirement of pump replaced on Well #3 on 1/13/2013 (Grissum)		-\$16,377	
	3. To capitalize M&S for installation of chlorine injection pump installed on 3/26/2013 (Grissum)		\$0	
	4. To capitalize motor saver purchased under Inv. No. 36441 and installed on 3/25/2013 (Grissum)		\$850	
	5. To capitalize AutoPrimer for Chlorine Pump purchased under Inv. No. 916787 and installed on 3/26/2013 (Grissum)		\$594	
P-15	Water Treatment Equipment	332.000		\$544
	1. To capitalize 65 gal tank & valve ASM Injection Check plus 165 gal tank HDPE-PW purchased from Hawkins Inc. for new chlorination supply (Grissum)		\$544	
P-22	Meters- Plastic Chamber	346.200		-\$1,915
	1. To capitalize 1" meter purchased and installed at 680 W. Capri 3A17, Service ID 05041B (Heikkila) (Grissum)		\$117	
	2. To capitalize (6) - 5/8" x 3/4" meters purchased under Inv. No. 13-23465 on 10/17/2013 (Grissum)		\$350	

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 Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	3. To capitalize (12) - 5/8" x 3/4" meters purchased under Inv. No. 13-21784 and installed under WO#s 5450, 5643, 5665, 5741 and 5760 (meter replacements) and WO#s 5217, 5361, 5443, 5547, 5804, 5810 and 5811 (meter installations) (Grissum)		\$615	
	4. To reflect retirement of meters replaced (Grissum)		-\$328	
	5. To correct water plant for settlement. (Ferguson)		-\$2,669	
P-24	Meters Installations- Plastic Chamber	347.200		-\$762
	1. To capitalize 18 x 30" solid wall meter tile purchased under Inv. No. 13-23465 on 10/17/2013 (Grissum)		\$0	
	2. To capitalize materials and supplies purchased under Inv. Nos. 13-29931, 13-29987, 13-22688, 13-22794, 13-22904, 13-22919 and 13-22800 (Grissum)		\$0	
	3. To capitalize materials and supplies purchased under Inv. Nos. 13-23112, 13-23181, 13-23189, and 13-23381 (Grissum)		\$0	
	4. To capitalize materials & supplies purchased for meter settings under Inv. Nos. 13 22361 and 13-22362 (Grissum)		\$0	
	5. To correct meter plant for settlement. (Ferguson)		-\$762	
P-25	Hydrants	348.000		-\$1,120
	To remove excess amount over invoice for the Dollar General hydrant. (Ferguson)		-\$1,120	
P-29	Office Furniture & Equipment	391.000		\$25
	1. To capitalize Plat Map Cabinet (Grissum)		\$25	

Terre Du Lac Utilities Corporation
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 Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-30	Office Computer Equipment	391.100		\$29
	1. To remove printer adapter from plant due to lack of invoice/receipt. (Ferguson)		\$29	
P-31	Transportation Equipment	392.000		-\$6,854
	1. To reflect retirement of 2002 Ford F-150 Pickup retired in Feb 2013 (Grissum)		-\$9,713	
	2. To reflect trade-in of 2008 Toyota Tundra 4x4 in Aug 2013 (Grissum)		-\$14,281	
	3. To reflect purchase of 2000 Chevrolet Pickup with Utility Lock Boxes		\$2,750	
	4. To reflect purchase of 2012 Toyota Tundra 4x4 in Aug 2013 (Grissum)		\$18,108	
	5. To remove 2009 Ford Ranger for settlement and replace with mileage. (Ferguson)		-\$3,718	
P-33	Tools, Shop and Garage Equipment	394.000		-\$46
	1. To remove miscellaneous tools not considered as plant items. (Ferguson)		-\$46	
Total Plant Adjustments				<u>-\$14,257</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
1		INTANGIBLE PLANT			
2	300.000	Stipulated Plant	\$203,633	2.50%	\$5,091
3		TOTAL INTANGIBLE PLANT	\$203,633		\$5,091
4		SOURCE OF SUPPLY PLANT			
5	311.000	Structures & Improvements	\$0	0.00%	\$0
6	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0
7	314.000	Wells and Springs	\$28,313	2.00%	\$566
8	316.000	Supply Mains	\$0	0.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	\$28,313		\$566
10		PUMPING PLANT			
11	321.000	Structures & Improvements - Well House	\$0	0.00%	\$0
12	325.000	Submersible Pumping Equipment	\$42,662	10.00%	\$4,266
13		TOTAL PUMPING PLANT	\$42,662		\$4,266
14		WATER TREATMENT PLANT			
15	332.000	Water Treatment Equipment	\$2,385	2.90%	\$69
16		TOTAL WATER TREATMENT PLANT	\$2,385		\$69
17		TRANSMISSION & DISTRIBUTION PLANT			
18	342.000	Distribution Reservoirs & Standpipes	\$49,721	2.50%	\$1,243
19	343.000	Transmission & Distribution Mains	\$58,275	2.00%	\$1,166
20	345.000	Services	\$305,987	2.50%	\$7,650
21	346.100	Meters- Bronze Chamber	\$0	9.50%	\$0
22	346.200	Meters- Plastic Chamber	\$76,982	10.00%	\$7,698
23	347.000	Meters Installations - Bronze Chamber	\$0	0.00%	\$0
24	347.200	Meters Installations- Plastic Chamber	\$38,490	2.50%	\$962
25	348.000	Hydrants	\$22,304	2.00%	\$446
26		TOTAL TRANS. & DISTRIBUTION PLANT	\$551,759		\$19,165
27		GENERAL PLANT			
28	390.000	Structures & Improvements - Office/Shop	\$8,314	2.50%	\$208
29	391.000	Office Furniture & Equipment	\$7,553	5.00%	\$378
30	391.100	Office Computer Equipment	\$881	0.00%	\$0
31	392.000	Transportation Equipment	\$27,033	13.00%	\$3,514
32	393.000	Stores Equipment	\$0	0.00%	\$0
33	394.000	Tools, Shop and Garage Equipment	\$8,800	5.00%	\$440
34	396.000	Power Operated Equipment	\$25,882	6.70%	\$1,734
35	397.000	Communication Equipment	\$3,727	0.00%	\$0
36		TOTAL GENERAL PLANT	\$82,190		\$6,274
37		Total Depreciation	\$910,942		\$35,431

Terre Du Lac Utilities Corporation
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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	\$147,891			100.00%	\$147,891
3		TOTAL INTANGIBLE PLANT	\$147,891		\$0		\$147,891
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$0			100.00%	\$0
6	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
7	314.000	Wells and Springs	\$15,341			100.00%	\$15,341
8	316.000	Supply Mains	\$0			100.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	\$15,341		\$0		\$15,341
10		PUMPING PLANT					
11	321.000	Structures & Improvements - Well House	\$0			100.00%	\$0
12	325.000	Submersible Pumping Equipment	\$30,337	R-12	-\$22,573	100.00%	\$7,764
13		TOTAL PUMPING PLANT	\$30,337		-\$22,573		\$7,764
14		WATER TREATMENT PLANT					
15	332.000	Water Treatment Equipment	\$189			100.00%	\$189
16		TOTAL WATER TREATMENT PLANT	\$189		\$0		\$189
17		TRANSMISSION & DISTRIBUTION PLANT					
18	342.000	Distribution Reservoirs & Standpipes	\$23,625			100.00%	\$23,625
19	343.000	Transmission & Distribution Mains	\$22,110			100.00%	\$22,110
20	345.000	Services	\$117,606			100.00%	\$117,606
21	346.100	Meters- Bronze Chamber	\$0			100.00%	\$0
22	346.200	Meters- Plastic Chamber	\$64,955			100.00%	\$64,955
23	347.000	Meters Installations - Bronze Chamber	\$0			100.00%	\$0
24	347.200	Meters Installations- Plastic Chamber	\$4,860			100.00%	\$4,860
25	348.000	Hydrants	\$4,449	R-25	\$0	100.00%	\$4,449
26		TOTAL TRANS. & DISTRIBUTION PLANT	\$237,605		\$0		\$237,605
27		GENERAL PLANT					
28	390.000	Structures & Improvements - Office/Shop	\$1,697	R-28	\$203	100.00%	\$1,900
29	391.000	Office Furniture & Equipment	\$5,917			100.00%	\$5,917
30	391.100	Office Computer Equipment	\$1,714	R-30	\$18	100.00%	\$1,732
31	392.000	Transportation Equipment	\$38,586	R-31	-\$18,991	100.00%	\$19,595
32	393.000	Stores Equipment	\$0			100.00%	\$0
33	394.000	Tools, Shop and Garage Equipment	\$5,464	R-33	\$58	100.00%	\$5,522
34	396.000	Power Operated Equipment	\$22,995			100.00%	\$22,995
35	397.000	Communication Equipment	\$4,567			100.00%	\$4,567
36		TOTAL GENERAL PLANT	\$80,940		-\$18,712		\$62,228
37		TOTAL DEPRECIATION RESERVE	\$512,303		-\$41,285		\$471,018

To Rate Base Schedule

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

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-12	Submersible Pumping Equipment	325.000		-\$22,573
	1. To reflect retirement of well pump replaced on 1/13/2013 (Grissum)		-\$16,377	
	2. To reflect accumulated depreciation on new well pump installed on 1/13/2013 (Grissum)		\$1,039	
	3. To correct depreciation reserve. (Ferguson)		-\$7,235	
R-25	Hydrants	348.000		\$0
	1. To adjust reserve for the lower invoice amount related to the Dollar General Hydrant. (Ferguson)		\$0	
R-28	Structures & Improvements - Office/Shop	390.000		\$203
	1. To correct depreciation reserve. (Ferguson)		\$203	
R-30	Office Computer Equipment	391.100		\$18
	1. To remove reserve for printer adapter with no invoice/receipt. (Ferguson)		\$18	
R-31	Transportation Equipment	392.000		-\$18,991
	1. To reflect retirement of 2002 Ford F-150 Pickup in Feb 2013 (Grissum)		-\$9,713	
	2. To reflect trade-in of 2008 Toyota Tundra 4x4 in Aug 2013 (Grissum)		-\$14,283	

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 Schedule of Adjustments for Accumulated Depreciation Reserve - Water

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
	3. To reflect trade-in allowance for 2008 Toyota Tundra 4x4 as Salvage Value (Grissum)		\$7,542	
	4. To remove reserve for 2009 Ford Ranger and will replace with mileage. (Ferguson)		-\$2,537	
R-33	Tools, Shop and Garage Equipment	394.000		\$58
	1. To remove reserve associated with small tools removed from plant. (Ferguson)		\$58	
Total Reserve Adjustments				<u><u>-\$41,285</u></u>

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 Revenue Schedule - Water

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$151,602	Rev-2	\$66,694	100.00%	\$218,296
Rev-3		Miscellaneous Revenues	\$3,953	Rev-3	\$5,892	100.00%	\$9,845
Rev-4		TOTAL ANNUALIZED REVENUES	\$155,555		\$72,586		\$228,141

Terre Du Lac Utilities Corporation
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 Revenue Adjustment Schedule - Water

A Revenue Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
Rev-2	Annualized Rate Revenues			\$66,694
	1. To Annualize Rate Revenues		\$66,694	
Rev-3	Miscellaneous Revenues			\$5,892
	1. To Annualize Miscellaneous Revenues		\$5,892	
Total Revenue Adjustments				\$72,586

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	1,264		3	
3	Bills Per Year	12		12	
4	Customer Bills Per year	15,168		36	
5	Current Customer Charge	<u>\$8.12</u>		<u>\$14.43</u>	
6	Annualized Customer Charge Revenues		\$123,164		\$519
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	37,552,827		319,889	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	37,552,827		319,889	
11	Block 1, Commodity Gallons per Block	37,552,827		319,889	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	37,552.83		319.89	
14	Block 1, Existing Commodity Charge	<u>\$2.35</u>		<u>\$2.35</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$88,249		\$752
16	Total Annualized Water Rate Revenues		<u>\$211,413</u>		<u>\$1,271</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"	
		E Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	17		1	
3	Bills Per Year	12		12	
4	Customer Bills Per year	204		12	
5	Current Customer Charge	<u>\$8.12</u>		<u>\$14.43</u>	
6	Annualized Customer Charge Revenues		\$1,656		\$173
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	874,718		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	874,718		0	
11	Block 1, Commodity Gallons per Block	874,718		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	874.72		0.00	
14	Block 1, Existing Commodity Charge	<u>\$2.35</u>		<u>\$2.35</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$2,056		\$0
16	Total Annualized Water Rate Revenues		<u>\$3,712</u>		<u>\$173</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		1,286	
3	Bills Per Year	12			
4	Customer Bills Per year	12		15,432	
5	Current Customer Charge	<u>\$37.53</u>			
6	Annualized Customer Charge Revenues		\$450		\$125,962
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	543,267		39,290,701	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		0	
10	Commodity Gallons	543,267		39,290,701	
11	Block 1, Commodity Gallons per Block	543,267			
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>			
13	Block 1, Commodity Billing Units	543.27			
14	Block 1, Existing Commodity Charge	<u>\$2.35</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$1,277		\$92,334
16	Total Annualized Water Rate Revenues		<u>\$1,727</u>		<u>\$218,296</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	A Description	B Amount
1	Miscellaneous Service Revenue	\$0
2	Miscellaneous Revenues - Leases - WiFi (Ferguson)	\$2,640
3	Miscellaneous Revenues - Leases - Big River Broadband (Ferguson)	\$4,200
4	Late Fees (Ferguson)	\$1,302
5	Reconnect Fees (Ferguson)	\$1,658
6	Bad Check Fees (3) (Ferguson)	<u>\$45</u>
7	Total Miscellaneous Revenues	<u><u>\$9,845</u></u>

Terre Du Lac Utilities Corporation
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 Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Salaries & Wages	\$49,307	W-2	\$63,957	100.00%	\$113,264
3		Operator - Water System	\$0			100.00%	\$0
4		Payroll - Overtime Pay	\$1,851	W-4	-\$1,851	100.00%	\$0
5		Payroll - Sick Pay	\$1,248	W-5	-\$1,248	100.00%	\$0
6		Payroll - Holiday Pay	\$1,439	W-6	-\$1,439	100.00%	\$0
7		Payroll - Vacation Pay	\$450	W-7	-\$450	100.00%	\$0
8		Payroll - Bonuses	\$50	W-8	-\$50	100.00%	\$0
9		Uniform Allowance	\$1,644			100.00%	\$1,644
10		Electricity (Pumping, Office and Shop)	\$38,269	W-10	-\$18,900	100.00%	\$19,369
11		Chemicals-(Hypochlorite)	\$2,547	W-11	\$1,454	100.00%	\$4,001
12		TOTAL OPERATIONS EXPENSE	<u>\$96,805</u>		<u>\$41,473</u>		<u>\$138,278</u>
13		MAINTENANCE EXPENSES					
14		Outside Services - Schultz Surveying & Engineering	\$0	W-14	\$0	100.00%	\$0
15		Outside Services - Meter Reading	\$160	W-15	-\$160	100.00%	\$0
16		Operating Supplies & Expense	\$9,516	W-16	-\$2,934	100.00%	\$6,582
17		Operating Supplies - Water Lines	\$433	W-17	\$759	100.00%	\$1,192
18		Equipment Rental	\$86			100.00%	\$86
19		System Maintenance (Wells, Supply & Eng, Pump Equip, Mains)	\$3,625	W-19	-\$2,838	100.00%	\$787
20		Maintenance - Other Plant Facilities	\$1,349	W-20	-\$54	100.00%	\$1,295
21		TOTAL MAINTENANCE EXPENSE	<u>\$15,169</u>		<u>-\$5,227</u>		<u>\$9,942</u>
22		CUSTOMER ACCOUNT EXPENSE					
23		Accounting Fees	\$0			100.00%	\$0
24		Billing & Collections	\$0	W-24	\$1,514	100.00%	\$1,514
25		Office Supplies	\$515	W-25	-\$49	100.00%	\$466
26		Postage	\$2,434	W-26	\$540	100.00%	\$2,974
27		Uncollectible Accounts	\$99			100.00%	\$99
28		TOTAL CUSTOMER ACCOUNT EXPENSE	<u>\$3,048</u>		<u>\$2,005</u>		<u>\$5,053</u>
29		ADMINISTRATIVE & GENERAL EXPENSES					
30		DNR - Phase I Grant Expense	\$0	W-30	\$173	100.00%	\$173
31		General & Administrative - Outside Services	\$988	W-31	\$461	100.00%	\$1,449
32		General & Administrative - Legal Fees	\$384	W-32	-\$384	100.00%	\$0
33		General & Administrative - Accounting Fees	\$1,661	W-33	-\$104	100.00%	\$1,557
34		Professional Development	\$246	W-34	\$251	100.00%	\$497
35		Office Phone & Wireless Phones	\$2,911	W-35	-\$1,433	100.00%	\$1,478
36		Big River Broadband - Internet Service	\$0	W-36	\$359	100.00%	\$359
37		Backhoe Expense	\$552	W-37	\$322	100.00%	\$874
38		Vehicle Expense	\$605	W-38	\$1,274	100.00%	\$1,879
39		Mileage - Kathy Tilley	\$0	W-39	\$781	100.00%	\$781
40		Fuel Expense (Regular & Diesel for Vehicles & Equipment)	\$9,248	W-40	-\$2,859	100.00%	\$6,389
41		Insurance - Medical (Francis, Kaye, Mike & Kathy Tilley)	\$19,651	W-41	-\$3,158	100.00%	\$16,493
42		Insurance - Dental & Life (Francis, Mike and Kathy Tilley)	\$2,314	W-42	-\$662	100.00%	\$1,652
43		Insurance - Property & Casualty	\$5,996	W-43	\$468	100.00%	\$6,464
44		Insurance - Workers Compensation	\$1,613	W-44	\$326	100.00%	\$1,939
45		Insurance - Vehicles	\$2,111	W-45	-\$1,048	100.00%	\$1,063
46		Insurance - Life - Owners' Policy (key employee coverage)	\$2,168	W-46	-\$2,168	100.00%	\$0
47		Insurance - Misc Coverage	\$204	W-47	-\$204	100.00%	\$0
48		Maintenance - Building Expense	\$332	W-48	-\$227	100.00%	\$105
49		Other Misc. Expenses	\$321	W-49	-\$103	100.00%	\$218
50		Rate Case Expense	<u>\$0</u>	W-50	<u>\$1,768</u>	100.00%	<u>\$1,768</u>

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51		TOTAL ADMINISTRATIVE AND GENERAL	\$51,305		-\$6,167		\$45,138
52		OTHER OPERATING EXPENSES					
53		MO DNR Fees - Permits	\$100	W-53	-\$100	100.00%	\$0
54		MO DNR Fees - Lab Testing	\$200			100.00%	\$200
55		PSC Assessment	\$7,785	W-55	-\$5,761	100.00%	\$2,024
56		Terre Du Lac Property Owners Association Dues	\$810			100.00%	\$810
57		Rural Water Association Dues & Training Courses	\$595			100.00%	\$595
58		Director of Revenue - Vehicle Licensing and Fees	\$786	W-58	-\$615	100.00%	\$171
59		Corporate Registration	\$0	W-59	\$10	100.00%	\$10
60		Amortization Expense	\$0	W-60	\$1,449	100.00%	\$1,449
61		Depreciation	\$0	W-61	\$27,781	100.00%	\$27,781
62		TOTAL OTHER OPERATING EXPENSES	<u>\$10,276</u>		<u>\$22,764</u>		<u>\$33,040</u>
63		TAXES OTHER THAN INCOME					
64		Real & Personal Property Taxes	\$2,496	W-64	-\$485	100.00%	\$2,011
65		Payroll Taxes	\$8,849	W-65	\$2,704	100.00%	\$11,553
66		Sales Tax Paid for 2012 Toyota Tundra 4x4 Pickup	\$0	W-66	\$0	100.00%	\$0
67		TOTAL TAXES OTHER THAN INCOME	<u>\$11,345</u>		<u>\$2,219</u>		<u>\$13,564</u>
68		TOTAL OPERATING EXPENSES	<u><u>\$187,948</u></u>		<u><u>\$57,067</u></u>		<u><u>\$245,015</u></u>

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W-2	Salaries & Wages			\$63,957
	1. To reclassify salaries & wages recorded to Electricity - Pumping (Grissum)		\$11,922	
	2. To annualize payroll for salaried employees (Grissum)		-\$732	
	3. To annualize payroll for hourly employees (Grissum)		\$15,324	
	4. To reflect allowance for new meter reader to perform monthly meter reads (Grissum)		\$8,060	
	5. To annualize salary for Mike Tilley at MERIC rate for Manager, All Others (Grissum)		\$8,498	
	6. To annualize wages for Robert Ludwig at Composite Average Mean MERIC rate (Grissum)		\$2,269	
	7. To annualize wages for Ryan Skaggs at Annual Wage Mean MERIC rate (Grissum)		\$1,339	
	8. To annualize wages for Vacant Field Tech Position vacated by Jeff Anderson at Avg. Wage Entry Level MERIC rate (Grissum)		\$5,595	
	9. To annualize wages for New Position for Meter Reading/Maintenance at Avg. Wage Entry Level MERIC rate (Grissum)		\$6,859	
	10. To correct hourly wage for Stephen Skiles based upon new information provided to OPC by TDLU during settlement (Grissum)		\$1,434	
	11. To reallocate salaries base on new payroll allocation. (Ferguson)		\$3,389	
W-4	Payroll - Overtime Pay			-\$1,851
	1. To remove overtime pay as the Company has relayed that overtime pay is given through compensation time. (Ferguson)		-\$1,851	

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W-5	Payroll - Sick Pay			-\$1,248
	1. To remove sick pay as it is already reflected in Salaries & Wages (Grissum)		-\$1,248	
W-6	Payroll - Holiday Pay			-\$1,439
	1. To remove holiday pay as it is already reflected in Salaries & Wages (Grissum)		-\$1,439	
W-7	Payroll - Vacation Pay			-\$450
	1. To remove vacation pay as it is already reflected in Salaries & Wages (Grissum)		-\$450	
W-8	Payroll - Bonuses			-\$50
	1. To remove bonuses paid to employees. (Ferguson)		-\$50	
W-10	Electricity (Pumping, Office and Shop)			-\$18,900
	1. To reclassify salaries & wages (Grissum)		-\$11,922	
	2. To reclassify chemical expense (Grissum)		-\$1,876	
	3. To reclassify Hawkins Inv. Nos. 3509237 and 3509448 to Chemical Expense (Grissum)		-\$206	
	4. To annualize/normalize electricity expense for Well #3 based upon current Ameren Missouri Tariff rates and account for water losses of 17.38% (Grissum)		-\$4,022	
	5. To annualize/normalize electricity expense for Well #2 Chlorinator based upon current Ameren Missouri Tariff rates and account for water losses of 17.38% (Grissum)		-\$101	
	6. To annualize/normalize electricity expense for Well #2 Pump based upon current Ameren Missouri Tariff rates and account for water losses of 17.38% (Grissum)		-\$486	

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	7. To annualize/normalize electricity expense for Maintenance Shop based upon current Ameren Missouri Tariff rates (Grissum)		-\$177	
	8. To annualize/normalize electricity expense for TDLU Office based upon current Ameren Missouri Tariff rates (Grissum)		\$125	
	9. To annualize/normalize sales tax on electricity expense for all locations on water system (Grissum)		-\$235	
W-11	Chemicals-(Hypochlorite)			\$1,454
	1. To reclassify chemical expense (Grissum)		\$1,876	
	2. To reclassify Hawkins Inv. Nos. 349884 and 3509237 plus portion of Hawkins Inv. No. 3509448 to Chemical Expense for the Water System (Grissum)		\$535	
	3. To normalize chemical expense (Grissum)		\$428	
	4. To capitalize 65 gall tank & valve ASM Injection Check plus 165 gallon tank HDPE-PW purchased from Hawkins Inc. under Inv. No. 3474036 for new chlorination supply (Grissum)		-\$544	
	5. To adjust for water losses (Grissum)		-\$841	
W-14	Outside Services - Schultz Surveying & Engineering			\$0
	1. To reclassify Outside Services provided by Schultz Surveying & Engineering that TDLU recorded to System Maintenance (Grissum)		\$500	
	2. To reclassify Outside Services provided by Schultz Surveying & Engineering that TDLU recorded to General & Administrative-Outside Services (Grissum)		\$500	
	3. To reclassify Outside Services provided by Schultz Surveying & Engineering in Jan 2013 that TDLU erroneously recorded to Sewer System instead of Water System (Grissum)		\$250	

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	4. To zero out annual expense for Schultz Surveying engineering as it will be capitalized as capital projects are completed (Grissum)		-\$1,250	
W-15	Outside Services - Meter Reading			-\$160
	1. To remove Outside Services - Meter Reading reflected during TYE 9/30/2013 as this is already reflected in New Meter Reading Payroll Expense as agreed during settlement (Grissum)		-\$160	
W-16	Operating Supplies & Expense			-\$2,934
	1. To reclassify Missouri One Call charges (Grissum)		-\$127	
	2. To reclassify Maintenance Expense (King's Construction) (Grissum)		-\$705	
	3. To reclassify Maintenance Expense (Politte Redi-Mix) (Grissum)		-\$111	
	4. To capitalize 1" meter purchased and installed at 680 W. Capri 3A17, Service ID 05041B on 3/7/2013 (Heikkila) (Grissum)		-\$117	
	5. To capitalize (12) - 5/8" x 3/4" meters purchased under Inv. No. 13-21784 and installed under WO#s 5450, 5643, 5665, 5741 and 5760 (meter replacements) and WO#s 5217, 5361, 5443, 5547, 5547, 5804, 5810 and 5811 (meter installations) (Grissum)		-\$615	
	6. To capitalize materials and supplies purchased for meter settings under Inv. Nos. 13-22361 and 13-22362 (Grissum)		-\$846	
	7. To account for reclassification items to match OPC for settlement. (Ferguson)		-\$413	
W-17	Operating Supplies - Water Lines			\$759
	1. To reclassify costs for settlement. (Ferguson)		\$759	

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W-19	System Maintenance (Wells, Supply & Eng, Pump Eq			-\$2,838
	1. To reclassify Outside Services provided by Schultz Surveying & Engineering (Grissum)		-\$500	
	2. To reclassify Inv. No. 13-22812 for M&S purchased for well leak repair that TDLU capitalized in error (Grissum)		\$482	
	3. To capitalize M&S for installation of chlorine injection pump (Grissum)		-\$28	
	4. To capitalize AutoPrime for Chlorine Pump purchased under Inv. No. 916787 (Grissum)		-\$594	
	5. To reclassify Maintenance Expense (King's Construction) (Grissum)		\$705	
	6. To reclassify Maintenance Expense (Politte Redi-Mix) (Grissum)		\$111	
	7. To reflect removal of payroll expense erroneously recorded to Maintenance - Wells Expense already reflected in annualized payroll expense as agreed during settlement (Grissum)		-\$677	
	8. To Normalize Maintenance Expense for Wells based upon removal of Payroll Expense erroneously recorded to Maintenance - Well as agreed during settlement (Grissum)		-\$221	
	9. To Normalize Maintenance Expense for Supply & Engineering (Grissum)		\$50	
	10. To Normalize Maintenance Expense for Pumping Plant (Grissum)		-\$269	
	11. To Normalize Maintenance Expense for Mains (Grissum)		-\$773	
	12. To Normalize Maintenance Expense for Meters (Grissum)		\$133	
	13. To reflect removal of payroll expense erroneously recorded to Maintenance - Meters Expense already reflected in annualized payroll as agreed during settlement (Grissum)		-\$81	

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	14. To reclassify maintenance expenses into operating supplies for settlement with OPC. (Ferguson)		-\$1,176	
W-20	Maintenance - Other Plant Facilities			-\$54
	1. To capitalize motor saver purchased under Inv. No. 36441 (Grissum)		-\$850	
	2. To Normalize Maintenance Expense for Other Plant Facilities (Grissum)		\$796	
W-24	Billing & Collections			\$1,514
	1. To reflect allowance for card stock (NOTE: No envelopes required) for W&S billings (Grissum)		\$1,514	
W-25	Office Supplies			-\$49
	1. To reclassify postage expense (Grissum)		-\$49	
W-26	Postage			\$540
	1. To reclassify postage expense (Grissum)		\$49	
	2. To annualize postage expense (Grissum)		\$491	
W-30	DNR - Phase I Grant Expense			\$173
	1. To reclassify advertising expense (Grissum)		\$173	
W-31	General & Administrative - Outside Services			\$461
	1. To reclassify Outside Services provided by Schultz Surveying & Engineering (Grissum)		-\$500	
	2. To reclassify advertising expense (Grissum)		-\$173	
	3. To reclassify outside services provided by Larry Hawkins Excavating (Grissum)		-\$315	

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	4. To include outside services with correct allocation for MO One Call, Mowing, Etc. (Ferguson)		\$1,449	
W-32	General & Administrative - Legal Fees			-\$384
	1. To disallow legal fees paid to Bruntrager & Billings re: DNR compliance issues that could have been avoided by TDLU (Grissum)		-\$384	
W-33	General & Administrative - Accounting Fees			-\$104
	1. To normalize accounting service fees (Grissum)		-\$3	
	2. To further normalize accounting service fees for settlement. (Ferguson)		-\$101	
W-34	Professional Development			\$251
	2. To reclassify education expenses for settlement. (Ferguson)		\$251	
W-35	Office Phone & Wireless Phones			-\$1,433
	1. To reflect disallowance of wireless phone service for Judy Tilley, Audrey Tilley and Francis Tilley who are not affiliated with TDLU operations (Grissum)		-\$950	
	2. To annualize office phone expense based upon the most current 12 months allocated as a percentage of Total Payroll (Grissum)		-\$91	
	3. To settle phone expense with OPC. (Ferguson)		-\$392	
W-36	Big River Broadband - Internet Service			\$359
	1. To reflect Internet Service secured with Big River Broadband for TDLU Office (Grissum)		\$300	

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	2. To include most current amount of internet bill for settlement. (Ferguson)		\$59	
W-37	Backhoe Expense			\$322
	1. To reflect 3-yr average as agreed during settlement (Grissum)		\$322	
W-38	Vehicle Expense			\$1,274
	1. To reclassify tire for dump truck erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		\$405	
	2. To reclassify repair to 2008 Toyota PU from Nov 2012 erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		\$484	
	3. To reclassify repair to 2008 Toyota PU from Aug 2013 erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		\$385	
W-39	Mileage - Kathy Tilley			\$781
	1. To include mileage expense for Kathy Tilley rather than a non-company owned vehicle in rate base. (Ferguson)		\$781	
W-40	Fuel Expense (Regular & Diesel for Vehicles & Equip			-\$2,859
	1. To reclassify tire for dump truck erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		-\$405	
	2. To reclassify repair to 2008 Toyota from Nov 2012 erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		-\$484	
	3. To reclassify repair to 2008 Toyota from Aug 2013 erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		-\$385	

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	4. To annualize fuel expense based upon recommended per gallon price of \$3.494 for Regular Unleaded and \$3.903 for Diesel Fuel (Grissum)		-\$1,268	
	5. To remove fuel expense for Kathy Tilley and replace with mileage. (Ferguson)		-\$317	
W-41	Insurance - Medical (Francis, Kaye, Mike & Kathy Till			-\$3,158
	1. To annualize Anthem Blue Cross/Blue Shield Healthcare based upon current premium (Grissum)		-\$217	
	2. To reflect disallowance of premium paid to Blue Cross/Blue Shield for Francis & Kaye Tilley (Grissum)		-\$2,614	
	3. To reflect disallowance of co-pays paid by TDLU for employees (Grissum)		-\$327	
W-42	Insurance - Dental & Life (Francis, Mike and Kathy Ti			-\$662
	1. To annualize MetLife Dental & Life based upon current premium (Grissum)		\$21	
	2. To reflect disallowance of premium paid to MetLife Dental & Life for Francis Tilley (Grissum)		-\$685	
	3. To reflect disallowance of premiums paid for Mike & Kathy Tilley for AD&D and Life Insurance (Grissum)		-\$201	
	4. To include premiums paid for Mike and Kathy Tilley for AD&D and Life insurance for settlement. (Ferguson)		\$203	
W-43	Insurance - Property & Casualty			\$468
	1. To annualize property & casualty insurance based upon current premium as a percentage of Total Rate Base (Grissum)		\$468	

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W-44	Insurance - Workers Compensation			\$326
	1. To annualize workers comp insurance expense based upon current premium as a percentage of Total Payroll (Grissum)		\$145	
	2. To reallocate workers Compensation based on new payroll allocation. (Ferguson)		\$181	
W-45	Insurance - Vehicles			-\$1,048
	1. To annualize vehicle insurance expense based upon current premium as a percentage of Total Payroll (Grissum)		-\$41	
	2. To disallow portion of insurance for Cadillac CTS not used for TDLU business (Grissum)		-\$585	
	3. To account for latest vehicle insurance policy and reallocate based on correct payroll allocation. (Ferguson)		-\$422	
W-46	Insurance - Life - Owners' Policy (key employee cove			-\$2,168
	1. To reflect disallowance for Owners' Life Policy premiums paid (Grissum)		-\$2,168	
W-47	Insurance - Misc Coverage			-\$204
	1. To remove amount paid to Allstate that is already reflected in insurance annualizations above (Grissum)		-\$204	
W-48	Maintenance - Building Expense			-\$227
	1. To annualize building expense maintenance for settlement with OPC. (Ferguson)		-\$227	
W-49	Other Misc. Expenses			-\$103
	1. To reclassify lawn mowing provided by Hayden Tilley (Grissum)		-\$78	

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	2. To capitalize 1/2 cost of Used Plat Map Cabinet (Grissum)		-\$25	
W-50	Rate Case Expense			\$1,768
	1. To normalize rate case expense over 2 years. (Ferguson)		\$1,768	
W-53	MO DNR Fees - Permits			-\$100
	1. To reclassify permit fee for single-cell lagoon (Grissum)		-\$100	
W-55	PSC Assessment			-\$5,761
	1. To reflect FY2014-2015 MoPSC Assessment (Ferguson).		-\$5,761	
W-58	Director of Revenue - Vehicle Licensing and Fees			-\$615
	1. To reclassify sales tax paid on 2012 Toyota Tundra 4x4 Pickup (Grissum)		-\$615	
W-59	Corporate Registration			\$10
	1. To reflect annual corporate registration fee paid to the Missouri Secretary of State's Office (Grissum)		\$10	
W-60	Amortization Expense			\$1,449
	1. To reflect two-year amortization of engineering fees paid to Schultz Surveying and Engineering re: DNR Compliance issues and Report Preparation (Grissum)		\$1,000	
	2. To reflect two-year amortization of cost of customer notice mailings related to rate case, LPH and Final Customer Notice (Grissum)		\$459	

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	3. To reflect three-year amortization of refund due from Univar for deposit on water treatment for nine (9) chlorine drums yet to be returned for refund by TDLU (Grissum)		-\$30	
	3. To include amortization on chlorine drums for settlement. (Ferguson)		\$20	
W-61	Depreciation			\$27,781
	1. To Annualize Depreciation		\$35,431	
	2. To reflect depreciation expense for CIAC (Grissum)		-\$7,650	
W-64	Real & Personal Property Taxes			-\$485
	1. To reflect most recent tax liability paid in Dec 2013 with certain combined use locations allocated as a percentage of total payroll (Grissum)		\$560	
	2. To remove property tax associated with Cadillac CTS and substitute estimated tax for 2009 Ford Ranger (Grissum)		-\$169	
	3. To reclassify Personal Property tax and remove 2009 Ford Ranger. (Ferguson)		-\$876	
W-65	Payroll Taxes			\$2,704
	1. To annualize payroll taxes for salaried employees (Grissum)		-\$75	
	2. To annualize payroll taxes for hourly employees (Grissum)		\$1,563	
	3. To reflect allowance for new meter reader to perform monthly meter reads (Grissum)		\$822	
	4. To reflect additional payroll taxes for OT pay allowance (Grissum)		\$189	

Terre Du Lac Utilities Corporation
 Informal Case/Rate Case
 WR-2014-0104
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	5. To reflect additional payroll taxes for increase in annualized salaries and wages at MERIC rate (Grissum)		\$2,505	
	6. To reflect additional payroll taxes for correction to hourly wage for Stephen Skiles based upon new information provided to OPC by TDLU during settlement (Grissum)		\$146	
	7. To reallocate payroll taxes based on new payroll allocation. (Ferguson)		-\$2,446	
W-66	Sales Tax Paid for 2012 Toyota Tundra 4x4 Pickup			\$0
	1. To reclassify sales tax paid on 2012 Toyota Tundra Pickup (Grissum)		\$615	
	1. To capitalize sales tax paid on 2012 Toyota Tundra Pickup as part of original cost (Grissum)		-\$615	
Total Expense Adjustments				\$57,067

Agreement Attachment C

Rate Base Worksheet

Terre Du Lac Utilities Corporation
Informal Case/Rate Case
Case No. WR-2014-0104
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Rate Base Worksheet

Line Number	A Rate Base Description	B Dollar Amount
1	Plant in Service	\$ 910,942
2	Less Accumulated Depreciation Reserve	\$ 471,018
3	Net Plant in Service	<u>\$ 439,924</u>
4	Other Rate Base Items:	
	Contribution in Aid of Construction	\$ (246,072)
	CIAC Depreciation	\$ 60,324
	Inventory (at 12/31/2013)	\$ 752
5	Total Rate Base	<u><u>\$ 254,928</u></u>

Agreement Attachment D

Schedule of Depreciation Rates

Terre Du Lac Utility Company

DEPRECIATION RATES

(WATER)

WR-2014-0104

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
300	Stipulated Plant	2.5%	40	\$0
311	Structures & Improvements	2.5%	44	-10%
314	Wells & Springs	2.0%	50	0%
316	Supply Mains	2.0%	50	0%
321	Structures & Improvements Well House	2.5%	44	-10%
325	Submersible Pumping Equipment	10.0%	12	-20%
332	Water Treatment Equipment	2.9%	35	0%
342	Distribution Reservoirs & Standpipes	2.5%	42	-5%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Services	2.5%	40	0%
346.1	Meters - Bronze Chamber	9.5%	10	5%
346.2	Meters - Plastic Chamber	10.0%	10	0%
347	Meters Installations - Bronze Chamber	2.5%	40	0%
347.2	Meters Installations - Plastic Chamber	2.5%	40	0%
348	Hydrants	2.0%	50	0%
390	Structures & Improvements Office/Shop	2.5%	44	-10%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computer Equipment	0.0%	Excessively Accrued	
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, Garage Equipment	5.0%	18	10%
395	Laboratory Equipment	8.3%	12	0%
396	Power Operated Equipment	6.7%	13	13%
397	Communication Equipment	3.3%	Over Accrued	

Reviewed, 1/7/2014. The above are standard small company depreciation rates modified as a result of Staff's investigation of the Company's operation, records, and physical plant, and are dependent on the Company's implementation of the end of test year adjustments to the Company's plant in service and accumulated reserves as shown in the Staff accounting schedules.

Agreement Attachment E

Example Tariff Sheets

Name of Utility: Terre Du Lac Utilities Corporation
Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

INDEX

Sheet No.

- 1 Index
- 2 Map of Service Area
- 3 Legal Description of Service Area
- 8 Schedule of Rates
- 9 Schedule of Service Charges

Sheet No.

Rule No.

Rule Title

- 101. Definitions
- 132. General Rules and Regulations
- 143. Company Employees and Customer Relations
- 154. Applications for Service
- 165. Inside Piping and Water Service Lines
- 196. Improper or Excessive Use
- 207. Discontinuance of Service by Company
- 238. Termination of Water Service at Customer's Request
- 249. Interruptions in Service
- 2510. Bills for Service
- 2911. Meters and Meter Installations
- 3212. Meter Tests and Test Fees
- 3313. Bill Adjustments Based on Meter Tests
- 3414. Extension of Water Mains

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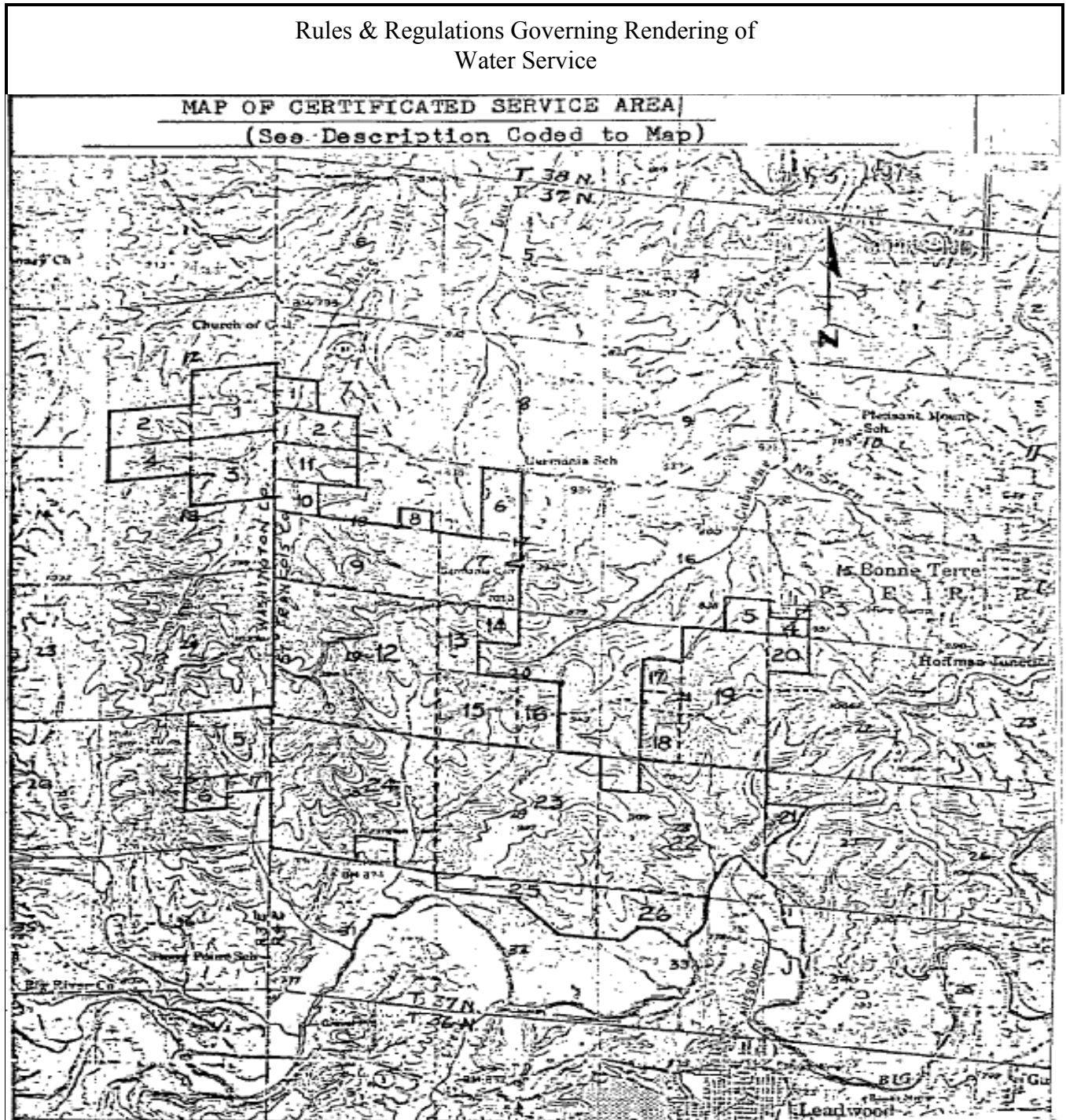
ISSUED BY Michael Tilley, President
Name and Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
Company Mailing Address

Name of Utility: Terre Du Lac Utilities Corporation

Service Area: Terre Du Lac Development

St. Francois and Washington Counties, Missouri



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Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

Legal Description of Service Area

ST. FRANCOIS COUNTY:

4,461.28 acres, more or less, in Township 37 North, Range 4 East, St. Francois County, Missouri, being described by numbered parcels and listed numerically by Section as shown on the accompanying map.

SECTION 7:

1. All of the Northwest quarter of the Southwest quarter, containing 40 acres, more or less.
2. All of the South half of the Southwest quarter, containing 80 acres, more or less.

SECTION 15:

3. All of four acres in the Southeast corner of the North half of the Southwest quarter of the Southwest quarter, describes as follows:
Beginning at the Southeast corner of the North half of the Southwest quarter of the Southwest quarter and running North two acres, thence West two acres, thence South two acres, thence East two acres to the beginning corner containing 4 acres.
4. All of the South half of the Southwest quarter of the Southwest quarter containing 20 acres, more or less.

SECTION 16:

5. All of the Southeast quarter of the Southeast quarter, containing 40 acres, more or less.
6. All of the East Half of the Northwest Quarter, containing 80 acres, more or less.
7. All of the Southwest Quarter except a tract of 0.97 of an acre which was conveyed by Grantor to Clarence Peppers by General Warranty Deed, dated April 25th, 1963 and also excepting all that part of a cemetery, known as the Germania Cemetery, which lies in said Southwest Quarter, containing 158 acres, more or less.

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Rules & Regulations Governing Rendering of
Water Service

SECTION 18:

8. All that Part of the Southeast Quarter of the Northeast Quarter described as follows:
Beginning at the Southwest corner thereof; thence N.1° 37'E, 818.40'; thence S. 85° 00'E, 1,080.00' to the point of beginning and containing 19.51 acres, more or less.
9. South Half containing 322.86 acres, more or less.
10. The South Half of Lot 2 of the Northwest Quarter, containing 39.14 acres, more or less.
11. All of the North Half of the Northwest Quarter, containing 77.56 acres, more or less.

SECTION 19:

12. All of Section 19, containing 647.06 acres, more or less.

SECTION 20:

13. The West Half of the Northwest Quarter, containing 80 acres, more or less.
14. All of the Northeast ¼ of the Northwest ¼, containing 40 acres, more or less.
15. The Southwest Quarter, containing 160 acres, more or less.
16. The West Half of the Southeast Quarter, containing 80 acres more or less.

SECTION 21:

17. The Southwest quarter of the Northwest quarter, containing 40 acres, more or less.
18. The East half of the Southwest quarter, containing 80 acres, more or less.
19. The East half, containing 320 acres, more or less.

SECTION 22:

20. The Northwest quarter of the Northwest quarter, containing 40 acres, more or less.

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Rules & Regulations Governing Rendering of
Water Service

SECTION 27:

21. All that part of the Southwest Quarter of the Northwest Quarter lying west of the western right-of-way line of the easternmost main line track of the Missouri-Illinois Railroad Company and containing 28.47 acres, more or less; excepting however, the right-of-ways of said Missouri-Illinois Railroad Company.

SECTION 28:

22. 547.44 acres, more or less, being all that part lying North of Big River, except the Northwest quarter of the Northwest quarter and also excepting the right-of-ways of the Missouri-Illinois Railroad Company.

SECTION 29:

23. All of Section 29, containing 640 acres, more or less.

SECTION 30:

24. 612.24 acres, more or less, being all except the Surface Rights only to that certain tract of land containing 27.76 acres, more or less, which was deeded to Crawford Moser by deed which is recorded in Book 81, at Page 253, in the Recorder's Office of St. Francois County, Missouri; and is more particularly described as follows: Beginning at the South quarter corner; thence along the North-South centerline of Section 30, North, 920.00'; thence Easterly to a point on the East side of the S.W. ¼ of the S.E. ¼; thence along said line, South 920.00' to the Southeast corner thereof; thence, Westerly along the South line of Section 30 to the point of beginning; and containing 27.76 acres, more or less; and also excepting a small tract of land in the Northwest Quarter of the Southwest Quarter of said Southeast Quarter of Section 30, Township 37 North, Range 4 East, which is now used for a cemetery and which is more particularly described as follows:

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Rules & Regulations Governing Rendering of
Water Service

Beginning at a point which is located 1,546.45 feet north of and 2,420.77 feet west of the Southeast corner of said Section 30, said point marking the Northwest corner and beginning point of the cemetery tract; thence S. 82° 35' E. 41.48 feet to the Northeast corner of said cemetery; thence S. 7°56' W. 40.41 feet to the Southeast corner of said cemetery; thence N. 5° 49' E. 40.20 feet to point of beginning and containing 0.037 of an acre, more or less.

SECTION 32:

25. All of that part of the North half lying North of the following described line: Beginning at the Southwest corner of the North half of the North half of the northwest quarter; thence along the South line to the Southeast corner thereof; thence South easterly to the Southwest corner of the North half of the Southeast quarter of the Northeast quarter; thence along the South line to the Southeast corner thereof, containing 140 acres, more or less.

SECTION 33:

26. All that part of the North half which lies West of Big River and North of the following described line: Beginning at the mid-point of the Western boundary line of the Southwest Quarter of the Northwest Quarter; thence Easterly to the center thereof; thence Northeasterly to the Northwest Quarter; thence Easterly to the mid-point of the Northwestern boundary line thereof; thence South-easterly to a point on the Western boundary line of the Southwest Quarter of the Northeast Quarter, 660 feet North of the Southwest corner thereof; thence, parallel to the Southern boundary line thereof, Easterly to Big River, containing 125 acres, more or less.

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Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

WASHINGTON COUNTY:

700 acres, more or less, in Township 37 North, Range 3 East, Washington County, Missouri, being described by numbered parcels and listed numerically by Section as shown on the accompanying map.

SECTION 12:

1. The Southeast quarter, containing 160 acres, more or less.
2. The South half of the Southwest quarter, containing 80 acres, more or less.

SECTION 13:

3. The Northeast quarter, containing 160 acres, more or less.
4. The North half of the Northwest quarter, containing 80 acres, more or less.

SECTION 25:

5. The Northeast quarter, containing 160 acres, more or less.
6. The Northwest quarter of the Southeast quarter, containing 40 acres, more or less.

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Rules & Regulations Governing Rendering of
Water Service

Schedule of Rates

Availability:

These rates are available to any water customer on Company's mains for supplying water service requested

Water Service Rates:

3/4" Meters and less	\$11.41 per month
1" Meter	\$28.53 per month
2" Meter	\$91.30 per month
Usage Charge	\$1.38 per 1,000 gallons of water used per month

Taxes:

Any applicable Federal, State, or local taxes computed on billing basis shall be added as separate items in rendering each bill.

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Rules & Regulations Governing Rendering of
Water Service

Schedule of Service Charges

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

New Service Connection Fee	Actual Cost
Consists of the costs incurred by the Company for construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 5 B. 1. and 5 B. 3.	
Service Connection Inspection Fee See Rule 5 B. 2 and 5 B. 3.	\$25
Water Service Line Inspection Fee See Rule 5 C.	\$25
Turn-On Fee	\$15
Turn-Off Fee	\$15
Meter Test Fee	\$25
Late Charges The late charge is calculated monthly with the greater amount above being added to the delinquent bill	\$5 or 3%
Returned Check Charges	\$25
Credit Card Charges	Actual cost not to exceed \$5
Service Calls for Damages caused by Customer	Actual cost but not less than \$40

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity which has applied for service; two or more APPLICANTS may make one application for a main extension.
- B. The "COMPANY" is Terre Du Lac Utilities Corporation, acting through its officers, managers, or other duly authorized employees or agents.
- C. The "CURB STOP" is a valve on the Service Connection, located at or near the Customer's property line, and used to shut off water service to the premises. The Curb Stop is owned and maintained by the Company.
- D. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for water service or is receiving service from Company, or whose facilities are connected for utilizing such service.
- E. The "DATE OF CONNECTION" shall be the date of the permit for installation and connection issued by the Company. In the event no permit is taken and a connection is made, the date of connection may be the date of commencement of construction of the building upon the property.
- F. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- G. "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the Company not requested by the Customer.
- H. The "MAIN" is a pipeline which is owned and maintained by the Company, located on public property or private easements, and used to transport water throughout the Company's service area.

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 continued

- I. The "METER" is a device, owned by the Company, used to measure and record the quantity of water that flows through the service line, and is installed in the outdoor meter setting, or inside the Customer's building where the water service line enters through a foundation wall.
- J. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer's premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- K. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- L. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line. This service connection shall be owned and maintained by the Company. If the property line is in a street, and if the curb stop or meter setting is not located near the edge of the street abutting the Customer's property, the said service connection shall be deemed to end at the edge of the street abutting the Customer's property.
- M. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- N. "TEMPORARY TERMINATION OF SERVICE" is termination or disconnection from service at the Customer's request for a period of time less than one year in length.

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 continued

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

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Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

Rule 2 GENERAL RULES & REGULATIONS

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 4 APPLICATIONS FOR SERVICE

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES

- A. The Company will provide water service at the outdoor meter, at the curb stop if an indoor meter setting is utilized, or at the property line if neither an outdoor meter nor a curb stop exists at or near the property line. Separate buildings that are not on one lot that cannot be subdivided shall be served through separate water service lines.
- B. The service connection from the water main to the Customer's property line shall be owned and maintained by the Company. Construction of the service connection, outdoor meter setting and curb stop shall be accomplished in one of the following ways at the Customer's option:
1. The Company will construct the service connection, outdoor meter setting and curb stop, as necessary, and make the connection to the main, within three (3) business days of an application for service, or within the time period specified in an application for service (See Rule 4). The Customer shall be responsible for payment of the New Service Connection Fee, as specified by or provided for in the Schedule of Service Charges; or,
 2. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and make the connection to the main, subject to prior approval of the Company; or,
 3. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting. The Customer shall be responsible for payment of a New Service Connection Fee as specified by or provided for in the Schedule of Service Charges.
- C. A service connection installation constructed by the Customer as provided for in 5 B. 2. or 5 B. 3., above, is subject to inspection by the Company. The Service

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Rules & Regulations Governing Rendering of
Water Service

Rule 5 continued

Connection Inspection Fee as specified in the Schedule of Service Charges shall apply if the Company must make a trip solely to conduct an inspection of a service connection constructed by the Customer, and shall not apply if the inspection of a service connection is accomplished at the same time as a tap is made for the Customer, or the same time as an inspection of the water service line as provided for in 5 D., below, or if the Company installs the service connection as provided in 5 B. 1., above.

- D. Water service line construction and maintenance from the property line, curb stop or meter setting, including the connection to the curb stop or meter setting, to the building shall be the responsibility of the Customer, and is subject to inspection by the Company. The Customer shall be responsible for any applicable fees as listed in the Schedule of Service Charges. Customers shall be responsible for the cost of repairing any damage to the Company's mains, curb stops, valve boxes, meters, and meter installations caused by the Customer, Customer's agent, or tenant.
- E. Existing water service lines and service connections may be used in connecting with new buildings only when they are found by examination and testing by a plumber, at the Customer's expense, not to constitute a hazard to the health and safety of any Customer or the Company's facilities.
- F. The water service line shall be brought to the unit at a depth of not less than thirty-six inches (36") and have a minimum inside diameter of three-quarters inch (3/4"). The Customer is responsible for the determination of whether or not a larger size is needed to provide adequate flow to the unit. A valve must be installed in the service line where it enters the unit. This valve must be kept in good repair in order to shut off the water supply and drain the inside plumbing, if necessary.
- G. Water service lines and inside piping shall be of material conforming to Company standards for potable water service and shall have a pressure rating of at least one hundred sixty (160) psi working pressure.

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Issue Date: March 28, 2014
Month /Day/Year

Effective Date: September 13, 2014
Month /Day/Year

ISSUED BY Michael Tilley, President
Name and Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
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Name of Utility: Terre Du Lac Utilities Corporation

Service Area: Terre Du Lac Development

St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
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Rule 5 continued

- H. Any change in the location of an existing service connection requested by the Customer shall be made by the Company or with the Company's approval, at the Customer's expense.
- I. The Company shall have the right to enter the Customer's premises for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- J. Neither water service lines nor service connections may be extended along public streets or roadways or through property of others in connecting with the Company's mains. The service connection may, however, extend through the water main easement and roadway easement as necessary in order to be connected to a main located across and adjacent to a street in front of the Customer's living unit. The service connection and service line must be laid in a straight line and at right angles to the main and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction will be at the discretion of the Company.
- K. Any Customer having a plumbing arrangement, or a water-using device that could allow backsiphonage of any chemical, petroleum, process water, water from a questionable supply, or other substance that could create a health hazard or damage to the water system; or, any Customer's plumbing classified as an actual or potential backflow hazard in the Regulations of the Missouri Department of Natural Resources shall be required to install and maintain a backflow prevention device. The device, owned and installed by the Customer, shall meet DNR regulations, be approved by the Company, and have an inspection performed annually by a certified professional at the Customer's expense to ensure it is operating properly. This rule may also apply to Customers on whose premises it is impossible or impractical for the Company to perform a cross connection survey. The device, installation, location and maintenance program shall be approved by the Company.

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Rule 6 IMPROPER OR EXCESSIVE USE

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

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Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

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

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Rule 7 continued

- B. The Company may discontinue service after notice by first class mail is sent to the Customer at least ten (10) days prior to the date of the proposed discontinuance. Service of notice by mail is complete upon mailing. If written notice is hand delivered to the Customer, it shall be done at least ninety-six (96) hours prior to discontinuance. If the Company intends to discontinue service to a multi-tenant dwelling, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance. Discontinuance shall not occur more than eleven (11) business days after the date given as the discontinuance date.
- C. The Company shall make reasonable efforts to contact the Customer, at least twenty-four (24) hours prior to any discontinuance, regarding the reason(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the Company's Customer, or is not responsible for payment of the bill, then the Company shall make reasonable efforts to inform such occupant(s).
- D. The Company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The Company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to twenty-one (21) days, and the Company may require proof of a medical emergency.
- E. The Company shall have the right to enter the Customer's premises for purposes of discontinuance of service in compliance with these Rules and Regulations. Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to discontinue service, or leave a conspicuous notice of the discontinuance.
- F. The provisions of paragraphs C. and E. above may be waived if safety of Company personnel while at the premises is a consideration.

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Rules & Regulations Governing Rendering of
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Rule 7 continued

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

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Rule 8 TERMINATION OF WATER SERVICE AT CUSTOMER'S REQUEST

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

A charge of twenty-five dollars (\$25.00) plus the monthly Customer charge times the number of months "off-system" (not to exceed nine (9) months) shall be charged where the same beneficial service recipient terminates and restores service to the same location within a twelve (12) month period. Restoration of service of a non-payment disconnect after forty-five (45) days is deemed to be a seasonal reconnect of service.

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Rule 9 INTERRUPTIONS IN SERVICE

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

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Rule 10 BILLS FOR SERVICE

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

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Rule 10 continued

- G. Monthly bills shall be due twenty-one (21) calendar days from the date of rendition, unless such due date falls on a Sunday, a legal holiday, or other day when the office is closed, in which case the due date shall be extended to the next business day. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 7. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.
- H. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be the monthly or quarterly minimum plus an amount based on the water used at the commodity (water usage) rate or one-half (1/2) of the flat rate if applicable.
- I. The Company may require a security deposit or other guarantee as a condition of new service if the Customer:
1. Still has an unpaid account with a utility providing the same type of service accrued within the last five (5) years; or,
 2. Has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or,
 3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:
 - a. Owns or is purchasing a home; or,
 - b. Is and has been regularly employed full time for at least one (1) year; or,
 - c. Has an adequate and regular source of income; or

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Rule 10 continued

- d. Can provide credit references from a commercial credit source.
- J. The Company may require a security deposit or other acceptable written guarantee of payment as a condition of continued service if:
 - 1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,
 - 2. The utility service to the unit has been diverted or interfered with in an unauthorized manner; or,
 - 3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods.
- K. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.
- L. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.
- M. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- N. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.

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Rule 10 continued

- O. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and Regulations regarding Utility Billing Practices, 4 CSR 240-13.

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Rule 11 METERS AND METER INSTALLATIONS

- A. All permanent service connections shall be metered. The Company shall furnish and install a suitable meter for each Customer, and the Company's installed meter shall be the standard for measuring water used to determine the bill.
- B. All meters and meter installations shall be furnished, installed, maintained and removed by the Company and shall remain its property.
- C. The Company shall have the right to determine on the basis of the Customer's flow requirements the type and size of meter to be installed and location of same. If flow requirements increase or decrease subsequent to installation and a larger or smaller meter is requested by the Customer, the cost of installing such meter shall be paid by the Customer.
- D. Domestic water service to any one Customer at a single premises shall be furnished through a single service connection. Individual units of a multi-unit building may have separate connections and meter installations only if each unit has separate plumbing, ground-level space, an individual service connection and meter installation location, and frontage to a Company-owned main. For multi-unit buildings with one service connection and meter installation, the inside piping may be rearranged at the Customer's own expense so as to separate the units and meter tenants, then divide the bill accordingly.
- E. The owners of premises wherein meters are located shall be held responsible for the safekeeping of the Company's meters and metering appurtenances, and are required to keep meters located within their property accessible to the Company for reading and for meter changeouts. If a Customer limits accessibility, or fails to protect a meter against damage, the Company may discontinue service and/or refuse to supply water until accessibility is restored and the Company is paid for any such damage. The amount of the charge shall be the cost of the necessary replacement parts and the labor cost necessary to make the repair.

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- F. If the Company determines that no suitable outdoor location is available, then the meter may be installed inside the Customer's premises where the water service line enters the building and just downstream of the inside shutoff valve. The Company shall install a curb stop within the service connection at or near the property line as practical. When the meter is installed inside the Customer's premises, the Customer will either provide a meter yoke to accept installation of the Company's meter, or provide proper fittings for the house plumbing pipe to allow for direct installation of the Company's meter, along with a proper grounding strap installed around the meter to prevent electric charge build-up on either side of the meter or while a meter is removed. If installation in a special setting is necessary, the excess cost of installation shall be paid by the Customer.
- G. If an existing basement meter location is determined inadequate or inaccessible by the Company, the Customer must provide for the installation of a meter to be located at or near the Customer's property line. The Customer shall obtain from the Company, or furnish the necessary meter installation appurtenances conforming to the Company's specifications, and said appurtenances and labor shall be paid by the Customer.
- H. Approved meter installation locations in dry basements, sufficiently heated to keep the meter from freezing, may remain provided the meter is readily accessible, at the Company's and Customer's convenience as determined by the Company, for servicing and reading and the meter space provided is located where the service line enters the building. The Company may, at its discretion, require the Customer to install a remote reading device at an approved location, for the purpose of reading the meter. It is the responsibility of the Customer and/or the owner of the premises to provide a location for the water meter which, in the event of water discharge as a result of leakage from the meter or couplings, will not result in damage. The Company's liability for damages to any and all property caused by such leakage shall in no event exceed the price of water service to the affected premises for one average billing period in the preceding year. Where damage is caused by the negligence of Company personnel at the premises, this

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limitation will not apply. If a Customer refuses to provide an accessible location for a meter as determined by the Company, the Company will notify the Staff of the Water and Sewer Unit of the Missouri Public Service Commission before ultimately refusing service or proceeding to discontinue service.

- I. The Customer shall promptly notify the Company of any defect in, or damage to, the meter setting.
- J. Any change in the location of any existing meter or meter setting at the request of the Customer shall be made at the expense of the Customer, and with the approval of the Company.

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Rule 12 METER TESTS AND TEST FEES

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

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Rule 13 BILL ADJUSTMENTS BASED ON METER TESTS

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

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Rule 14 EXTENSION OF WATER MAINS

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

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ISSUED BY Michael Tilley, President
Name and Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
Company Mailing Address

Name of Utility: Terre Du Lac Utilities Corporation
Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

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

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

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

* Indicates new rate or text
+ Indicates change

Issue Date: March 28, 2014
Month /Day/Year

Effective Date: September 13, 2014
Month /Day/Year

ISSUED BY Michael Tilley, President
Name and Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
Company Mailing Address

Name of Utility: Terre Du Lac Utilities Corporation
Service Area: Terre Du Lac Development St. Francois and Washington Counties, Missouri

Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

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

* Indicates new rate or text
+ Indicates change

Issue Date: March 28, 2014
Month /Day/Year

Effective Date: September 13, 2014
Month /Day/Year

ISSUED BY Michael Tilley, President
Name and Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
Company Mailing Address

Agreement Attachment F

Billing Comparison Worksheet

TERRE DU LAC UTILITIES CORPORATION

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$8.12	\$11.41	\$2.35	\$1.38

Current service charge is monthly charge

Current usage is quarterly and includes 5,000 gallons in minimum

Proposed usage rate is per 1,000 gallons used on a monthly basis

MONTHLY BILL COMPARISON

4,500 gallons/month usage

Current Rates

Customer Charge	\$ 8.12
Usage Charge	\$ 6.65
Total Bill	\$ 14.77

Proposed Rates

Customer Charge	\$ 11.41
Usage Charge	\$ 6.20
Total Bill	\$ 17.61

INCREASES

Customer Charge

\$ Increase	\$3.29
% Increase	40.55%

Usage Charge

\$ Increase	(\$0.46)
% Increase	-6.85%

Total Bill

\$ Increase	\$2.84
% Increase	19.21%

Agreement Attachment G

Water & Sewer Unit Memorandum

REPORT OF WATER AND SEWER UNIT
FIELD OPERATIONS AND TARIFF REVIEW

File Nos. WR-2013-0461 and SR-2013-0459
Terre du Lac Utilities Corporation

Introduction

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

Terre du Lac Utilities Corporation (Company or TDLU) holds certificates of public convenience and necessity (CCN) granted by the Missouri Public Service Commission (the Commission), under which the Company provides water and sewer utility services. The Commission granted the CCN for water service in Case No. 17,888, and the CCN for sewer service in Case No. 17,887, both cases opened in 1973. The Company's original water tariff and the original sewer tariff went into effect in 1974, and are still in effect at present, with some modifications that have occurred over the years.

The Company provides water and sewer service to 1267 water and sewer customers in the Terre du Lac development located approximately 50 miles south of St. Louis, between Potosi and Bonne Terre, Missouri. On October 21, 2013, the Company filed a request for an increase in water and sewer revenues.

Facilities:

Water System

The water system has 3 wells. The characteristics of each well will be described below. Storage is provided by two elevated tanks with 50,000 and 100,000 gallon capacity respectively. The distribution system, with water meters on all customer service connections, has 100+ miles of 4, 6, and 8-inch diameter pipe.

Source of Supply

Well #1 is out of service because the well pump does not run. It likely needs either pump replacement or electrical repair. However, the production from this well has historically been minimal, only producing 40 gallons per minute (gpm). Furthermore, there is a water quality issue, discussed further herein. It is due to this water quality issue that replacement pump has not been installed. Well #2 produces 100 gpm, and well #3 produces 250 gpm. Chlorine is used for disinfection by application at the wellheads without detention time.

TDLU does not have adequate production capacity. The two operating wells, if running continuously, can produce 144,000 gallons per day (gpd) and 360,000 gpd, respectively. By normal design capacity criteria based on the Missouri Department of Natural Resources (DNR) Minimum Design Standards for Missouri Community Water Systems, commonly referred to simply as the “Design Guide,” the TDLU water system should have source capacity to meet the maximum day demand¹ with the largest producing well out of service. Staff considers approximately 600,000 gallons per day to be a reasonable and conservative value to use for a design maximum day based on historical reported maximum day values, and 206,000 gallons per day for a design average day demand² for this system. This means that any time that well #3, as the primary producer, is off line even on low-use days, meeting system demand is in jeopardy. When this occurs, there is a likelihood of loss of pressure and service to customers, and excessive depletion of the storage tanks. Even the total combined production from both well #2 and well #3, at 504,000 gallons per day, is not adequate to have met maximum day demand for three (3) of the past eight (8) years. More source capacity is desperately needed, but since the two existing wells cannot meet maximum day, it is not possible to construct only one new well and be able to meet the Design Guide criterion of meeting maximum day with the largest producing well out of service. So, it is technically necessary for TDLU to construct two additional wells such that any three of the four wells could produce at least 600,000 gpd. However, as a project that is needed immediately, it may be more realistic and feasible for TDLU to construct a new well of at least the production capacity of well #3, with another well to be constructed at some later time after other pressing needs are addressed. Actual planning for increasing production capacity includes a number of factors such as future customer growth, water quality, costs to develop new wells, financing, documentation of demand and production values, and specific requirements necessary to attain approval of DNR.

In addition to inadequate production capacity, the wells are controlled by a telemetry system that does not work well. There have been malfunctions with this control system that makes manual operation necessary. TDLU needs to improve its ability to efficiently monitor and operate the wells together as a single water system using automatic controls.

The system has occasionally violated regulatory drinking water requirements as outlined in DNR regulations, specifically 10 CSR 60-4.060, for radionuclide maximum contaminate level (mcl) for gross alpha particles, radium 226 and radium 228. Radionuclide contamination is naturally occurring and is a common problem with other water providers in the area. Well #1 seems to be the worst of TDLU’s three wells but all have the problem to some extent. Long term system

¹ “Maximum day demand,” or “maximum day,” is the day of a one-year period that requires the most volume of water to be pumped to the distribution system, as measured at the source(s) of supply such as wellheads, for customer use as well as losses that normally occur in the distribution system.

² “Average day demand,” or “average day,” is considered to be the production requirement for most days of the year and normally may be calculated by dividing the total actual annual production by 365 days. Similar to maximum day, water production is that as measured at the source of supply such as the wellheads.

improvements must address this problem. Though the radionuclide problem complicates plans for future improvements it appears clear that TDLU must increase its production capacity, presumably with one or more new wells. What is accomplished in increasing production capacity will have a major impact on other needed improvements, such as storage amount and addressing radionuclides. It should be noted that TDLU, like other water providers in the area with the same problem, has already incurred costs for engineering planning in attempts to address the radionuclide problem, but it has not yet found an implementable solution.

Storage

Storage is provided by two elevated tanks with 50,000 and 100,000 gallon capacity, respectively. The combined storage of 150,000 gallons is considerably less than the average daily demand, which clearly is not adequate with the current inadequate production capacity, particularly since fire flow reserve should also be provided for the service area. Even if adequate source of supply were available, then applying a “default” Design Guide value for storage volume to be 25% of maximum day, or 150,000 gallons by using Staff’s value of 600,000 gallons for maximum day, then storage would be considered to be at capacity, but without any fire protection reserve. TDLU does not have a way to monitor tank levels on a continuous basis, and thus does not know the extent that the tanks are being utilized on any given day. It is desirable, for good operations, for TDLU to install devices to continuously record tank levels at each tank directly or by monitoring water pressure at the base of each tank. Actual tank usage, as indicated by such recorders, could then be used to evaluate storage volume that is currently needed above that desirable for fire reserve. The 50,000 gallon tank has not been inspected for several years and should be inspected, particularly on the inside.

Distribution system

The distribution system, which includes water meters on all but a very few customer service connections, consists of 100+ miles of 4 ,6, and 8-inch diameter pipe, mostly PVC, along with valves and fire hydrants. TDLU needs to implement a valve exercise program, which is valuable to keep the operators informed of locations of valves and able to actually find them in the field, and promotes accessibility and operability of all valves. Some valves are more critical than others when sections of the distribution system need to be isolated due to main breaks or other repair/upgrade work, and such valves should be identified.

Additionally, TDLU does not have a good working relationship with the subdivision property owners association (POA) with respect to overlapping of roadwork with utility work. TDLU and the POA need to work together with respect to proper and acceptable repair of roads after utility work is accomplished, and for protection and repair of utility infrastructure facilities after roadwork is accomplished. Roadwork can result in damage or exposing infrastructure to subsequent damage from traffic, storm drainage, and freezing weather conditions.

Drinking water system needs:

The deficiencies in service from this system due to insufficient source-of-supply capacity were made apparent and brought under closer scrutiny when a major water outage occurred during the summer of 2007. Since that time, the Company has made limited improvements with the limited funds and manpower available. One important improvement has been a greater attention to the operation of the primary well, well #3, on which the system is currently highly dependent as discussed herein. Likewise, there has been gradual improvements in operator knowledge of the system. Additional contract assistance on well maintenance has also been procured. But there is still a large financial need for capital investment and operating revenue to overcome plant inadequacies and improve operations. The system is still vulnerable to low pressure events particularly when operation of well #3 is interrupted. Maintaining pressure at all times is critical to assuring the bacteriological quality of the water delivered to the customers. Water losses on the distribution system, if allowed to become excessive, exacerbate the capacity volume and pressure loss problems, and monthly meter reading could help manage water loss monitoring (currently meters are read quarterly).

As with several communities in this area of the state, exceedance of the radionuclide maximum contaminant level must be addressed. Changes to the system to address the radionuclide issue need to be done in concert with other improvements, but should not become an obstacle to increasing the production capacity. DNR has documented numerous deficiencies with this water system since 2007, both major and minor. Notwithstanding some operational improvement, most of these deficiencies have yet to be addressed.

The following list is primarily major needs and is numbered for reference purpose. Prioritization according to need, available resources, and value of completion is needed.

1. Increase drinking water production capacity- presumably one or more new wells.
2. Establish a signed agreement between the POA and TDLU on repair of roadway that is impacted by utility system maintenance.
3. Provide for a certified operator (minimum license level DSII) familiar with the system to be available at all times. Include checking on wells as necessary on Saturdays and Sundays especially during days of high water usage.
4. Evaluate and improve pump controls, such as provide for automatic start for the backup well pump at low pressure when the lead pump is not meeting system demand.
5. Install continuous pressure and tank level recording.
6. Complete a technical evaluation and quantification of the drinking water system; including, flow rates, sizes of piping/physical plant and updating of an accurate map.
7. Create a computer hydraulic model of the water distribution system.
8. Develop a plan to reduce the radionuclide level and communicate with customers on this issue.

9. Determine the number of fire hydrants in need of repair, formulate plans to accomplish needed repairs and improvements, and maintain records of repairs and flow testing.
10. Observe and exercise every valve in the system and observe all of the distribution system at least once per year, preferably in winter after a few days of subfreezing temperature. The identified critical valves should be exercised annually and the other valves exercised every three years.
11. Inspect the inside of the 50,000 elevated tank.
12. Routinely inspect all storage tanks, and accomplish repairs, rehab, and painting as necessary based on inspection results.
13. Add storage capacity, based on item 6 and 7, along with desirable fire flow reserve volume.
14. Maintain well house structures, and add security fencing.

Wastewater System

Treatment facilities

TDLU has three separate treatment facilities; a single-cell lagoon, an oxidation ditch, and a large three-cell aerated lagoon. The collection piping system is approximately 25 miles of pressure collecting sewers with each customer utilizing a pump unit consisting of a tank with an electric pump; and, about 20 miles of gravity collecting sewers with three (3) lift stations.

The single-cell lagoon serves approximately eighteen (18) customers, and has a flow capacity of 4,000 gpd. By the terms of the discharge permit issued by DNR, this facility was supposed to have been evaluated by an engineer by December 2007 with a resulting recommendation for improvement to meet current and future discharge standards. It is likely that the result would have been to replace the lagoon with a lift station pumping the flow to either of TDLU's other treatment systems. This work has not been done apparently for lack of funds. The DNR discharge permit expired in 2012.

The oxidation ditch serves approximately 670 customers and has a flow capacity of 250,000 gpd. This facility has been minimally operated for the last several years. For example, it has only one of two aerator rotors functioning. When one rotor is inoperable for any reason, the treatment is inadequate. The Company has experienced problems with the rotors of this aging facility in the past, and has undertaken repairs when absolutely necessary. The repair of the currently inoperable rotor involves customized mechanical parts and will be expensive. The clarifier has been maintained just enough to keep it working. Sludge production is not well documented, and sludge removal and disposal is being accomplished only minimally. The amount of sludge production and efficient removal and disposal amounts and frequency of removal has never been properly evaluated. It is clear that at least a sludge holding tank and improved handling capabilities are needed, even though the sizing is unknown at present. In the meantime, sludge is disposed without significant thickening, thus the Company may be hauling more water than is

necessary (maybe 1% solids). The DNR discharge permit for this facility expired in 2011. All or most customers connected to this facility utilize pump units along with pressure collecting sewers. The pump units consist of tanks with electric pumps, sometimes referred to as septic tank effluent pump, or STEP, systems. Solids and sludge are retained in the tanks and must be removed periodically.

The three-cell aerated lagoon serves approximately 600 customers and has a flow capacity of 240,000 gpd. In the past, this facility was operated for long periods of time without the aerators working properly. Currently the aerators are operating. The current condition of this facility needs to be evaluated, and improvements planned and prioritized. Needed improvements include: fencing around the facility, evaluation of the condition of the berm, evaluation of sludge accumulation, and an evaluation of flow rates. There is significant storm water inflow and infiltration (I and I) into this facility that must be evaluated in conjunction with any major improvements. I and I occurs when excessive storm water gets into the collection system, which can cause the treatment facility to receive more water than it may be designed to treat, could cause sludge washouts if a mechanical treatment facility is utilized (not a problem with TDLU's current lagoon) and can result in sewage overflows from manholes and lift stations. The DNR discharge permit for this facility expired in 2012.

Collection Systems

The collecting sewers transporting sewage to the oxidation ditch, as stated, are pressure sewers of approximately 25 miles of 2, 3, and 4-inch diameter pvc pipe. Collecting sewers transporting sewage to the single-cell lagoon and the three-cell lagoon are 8-inch gravity pipe with manholes. The collection system connected to the three-cell lagoon has had a major I and I problem for many years. This issue has never been completely resolved by the company. The I and I sometimes results in sewage overflows particularly near one of the lakes where sewers are constructed at a shallow slope due to being near the water body, and also where flows are significant because the area is at the lower end of the collection system just before sewage flows to the treatment facility. TDLU needs to address the I and I problem. Besides the overflow problem, this need would become even more critical if the lagoon were to be replaced with another treatment facility or a lift station where the amount of I and I flow could create more adverse effects with respect to treatment or pumping.

TDLU utilizes three lift stations, all pumping to the three-cell lagoon, which need evaluation and upgrade. They are all older facilities and are being operated in a "run to failure then repair mode." Originally, each lift station had a duplex pump set up where the second pump could operate if one of the pumps failed. Currently there is only one pump in each lift station. Depending on how soon pump failure is discovered and how quickly a replacement pump can be installed, raw untreated sewage may be discharged from the collection system. This mode of operation is inefficient and highly dependent on operator attention.

Pressures Sewers and Pump Units

There has not been adequate personnel time available to provide the service by the Company on customers' pump units as called for in the current tariff. Each residential pump assembly is supposed to be checked by the company twice a year as per TDLU's tariff. Maintenance and cost sharing is outlined in the tariff. The Company is to provide the inspection and labor for maintenance, and the customer is to pay for repairable parts if needed, and the electricity to the pump. The Company has not been abiding by this responsibility because of cost and labor time issues. Also, parts costs have increased and availability has not always been timely. There have been customer complaints regarding the cost and timeliness of service. The company is considering using a different brand of pump which would then change the costs and cause a need to re-define what parts are "repairable." The removal of solids from the septic tank is also supposed to be provided by the Company. Finally, the operation of the pressure sewers needs to be evaluated, to keep current with pipe sizes, locations, flow rates, pressures, and leakage. Staff recommends that TDLU resume undertaking its responsibilities as outlined in the tariff, and accordingly Staff will estimate a specific cost value to be included in this rate case, above test year audited costs, for STEP unit maintenance and sludge removal. The Company will also need to re-develop its maintenance records for each customer's pump unit that, for each unit, will include date placed into service, dates of inspections, repairs and replacements of parts, sludge inspections and removals, and descriptions and unusual features of each unit.

Wastewater system needs:

Over the last few years the wastewater system has had several occurrences of inadequate service that have been discussed with the company and documented. These included: lack of aeration on the lagoon, discharge of raw wastewater from the collection system, and solids lost from the oxidation ditch. DNR has issued Notices of Violation (NOVs) to the Company, and is undertaking enforcement procedures regarding these deficiencies. While there has been limited progress by the Company, such as aerators reinstalled at the lagoon, most of the deficiencies still need to be addressed.

The following is a list of major needs that will require significant capital for plant improvements and revenue to pay for operational improvements and deferred maintenance.

1. Rehabilitation of the three lift stations that deliver wastewater to the large north lagoon.
2. Repair/Install the second aeration rotor on the oxidation ditch.
3. Determine the actual flow of the north lagoon, including average and peak flow.
4. Establish a written plan for sludge hauling and disposal that includes a sound estimate of sludge to be disposed and recording procedure of sampling and quantities.
5. Complete a Technical evaluation and quantification of the wastewater system; including I and I, actual flow rates, actual solids production, condition of the STEP

systems and pressure collecting sewers that transport wastewater to the oxidation ditch, sizes of the piping/physical plant and updating a map of the system.

6. Install and maintain adequate fencing to restrict access to all facilities by small children, pets and livestock.
7. Observe and document the condition of each manhole on the gravity sewer collection systems.
8. Resume maintenance and sludge hauling of STEP pump units; develop a system of recordkeeping for each specific pump unit in service as described herein.
9. Evaluation of and likely elimination of the small single cell lagoon.
10. Complete updates to oxidation ditch to meet the DNR permit discharge limits.
11. Complete updates to the 3 cell lagoon to meet the DNR permit discharge limits.

The above needs, both for the water system and sewer system, are not included in test year costs or current rates. It will be necessary for Staff and the Company and other parties to agree to certain reasonable additional costs to be included for immediately needed operational improvements, in order for the Company to be able to provide safe and adequate service on a going forward basis. Some necessary improvements are capital intensive and will require longer periods of time for planning. Reporting, monitoring, and periodic future rate increase requests will be necessary.

(Hummel, Merciel)

Tariff Review

TDLU's current water tariff became effective July 30, 1974, and the sewer tariff became effective September 15, 1974. Staff's review of the existing tariffs noted numerous updates to the original tariffs. Staff's review also discovered inconsistencies and duplicative rule numbers in the sewer tariff. Specifically, Rule No. 10 and Rule No. 24 were both titled Extension of the Company Facilities.

Staff's review also included reviewing the schedule of miscellaneous service charges. Staff updated the returned check charge from \$15 to \$25 to allow the Company to recover the Company's additional costs related to the processing of returned checks. The late payment fee was updated from 1 ½% of the delinquent amount to \$5 or 3% whichever is greater, allowing the Company to recover from the customer the costs related to maintaining and collecting delinquent bills. Staff also listed all of the miscellaneous service charges in the schedule of service charges instead of through out the tariff. Staff discussed the existing and proposed tariffs with the Company and received input from the Company for the proposed new tariffs.

Staff is proposing to cancel the existing PSC MO No. 1 tariffs and replace them with PSC MO No. 2 for water and PSC MO No. 3 for sewer. (Russo)

Rate Design

Staff reviewed the current rate design and is recommending the current rate design be changed in this case. Staff is proposing the current quarterly billing for water customers be changed to monthly billing. This includes eliminating the existing 5,000 gallons of water included in the minimum to zero gallons. Changing to monthly bills will help the cash flow of TDLU and assist the Company in maintaining the water system. In addition, monthly reading of water meters will assist the Company in monitoring unaccounted for water and assist both the Company and customers in timely detecting high water usage.

(Russo)

WATER AND SEWER UNIT STAFF RECOMMENDATIONS:

- 1) The Commission cancels the existing PSC MO No. 1 water tariff and replaces the water tariff with PSC MO No. 2.
- 2) The Commission cancels the existing PSC MO No. 1 sewer tariff and replaces the sewer tariff with PSC MO No. 3.
- 3) The Commission approves Staff's rate design.
- 4) Within 60 days, Company begin planning and development of additional source of water supply, with at least one new well or other source to be placed into service within 12 months.
- 5) Company immediately begin development and implementation of a valve exercise program that includes identification of critical valves, an inspection/operation schedule, and recordkeeping, with such program and records to be implemented within 60 days.
- 6) Company immediately resume STEP pump unit maintenance, as per the rules outlined in the replacement sewer tariff, along with appropriate recordkeeping.
- 7) The Company will file a rate case in 18 months after the effective date of the current rate request.

Agreement Attachment H

Auditing Unit Recommendation Memorandum

MEMORANDUM

TO: Jim Busch, Manager – Water and Sewer Department
Jim Russo, Supervisor – Rate and Tariff

FROM: Lisa M. Ferguson, Utility Regulatory Auditor IV

SUBJECT: Terre Du Lac Utilities Corporation
Rate Increase Request
Case Nos. WR-2014-0104 and SR-2014-0105

DATE: January 28, 2014 (REVISED 3-17-2014) (Further Revised 7-21-2014)

On October 21, 2013, Terre Du Lac Utilities (“TDLU” or “Company”) filed an informal request to increase annual water rate revenues by fifteen percent (15.0%) and annual sewer rate revenues by sixteen and one-half percent (16.5%). This Memorandum will address the Audit Staff’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 1,286 customers and sewer service to 1,245 customers. TDLU is co-owned by two brothers, Mike Tilley and Paul Tilley. The Tilley family 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 November 21, 2008, as part of Case Nos. WR-2009-0218 and SR-2009-0219 under the Commission’s informal rate case procedures. As part of the informal rate increase requests, TDLU sought a \$35,000 increase in annual water operating revenues and a \$61,000 increase in its sewer operating revenues. The Audit Staff conducted an investigation of the Company’s books and records and ultimately determined that TDLU required a slight increase for its sewer operations but also required a somewhat larger decrease for its water operations. On May 18, 2009, TDLU filed notice that it no longer wished to pursue its request for a rate increase for either its water or sewer operations. As a result, the Commission closed both of these informal rate cases on May 19, 2009, with no change in TDLU’s existing rates. TDLU last received an increase in both water and sewer rates on April 1, 2000, as part of Case Nos. WR-2000-0068 and SR-2000-0069.

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

System	No. Metered Customers	Customer Type	Current Monthly Rate
Water	1264	Standard Residential 5/8"	\$ 8.12
	3	Residential – 1" Meter	\$ 14.43
	17	Standard – Business	\$ 8.12
	1	Business – 1" Meter	\$ 14.43
	1	Business – 2" Meter	\$ 37.53
Total	1286		
System	Water Usage	Description	Current Commodity Rate Quarterly
Water	> 5,000	Per 1,000 gallons	\$ 2.35
System	No. of Customers	Customer Type	Current Monthly Rate
Sewer	530	Residential - Gravity	\$ 15.83
	702	Residential – Pressure	\$ 15.83
	9	Residential – Aerator (\$18/qtr)	\$ 6.00
	1	Commercial – 2" Pressure	\$ 126.64
	3	Residential – 1" Main	\$ 39.57
Total	1245		

The Company's well number one is located at TDLU's office and is currently not in-service due to naturally occurring high radionuclide levels deemed unsafe by the Missouri Department of Natural Resources ("DNR"). TDLU has two (2) additional wells, well numbers two and three that are capable of producing 100 and 250 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 100 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. It should be noted here that DNR, according to information obtained from TDLU, does not intend to renew the permit for the single-cell lagoon. Therefore, TDLU will need to determine alternative wastewater treatment options sometime in the future for customers currently served by the single-cell lagoon. There are a total of approximately 45 miles of collection sewers, of which 25 miles are four (4) inch force mains with customers connected utilizing a pump unit consisting of a septic tank with an electric pump, and 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 516 homes and the oxidation ditch serves approximately 700 homes. There are nine (9) customers who are not connected to collecting sewers rather they utilize individual on-site aerated tanks, meaning each customer has an aerated tank. These customers can optionally pay an approved charge to TDLU for maintenance of the aerators.

The Audit Staff has conducted a review of the Company's books and records. For purposes of its audit, the Staff utilized a test year of twelve-months ending September 30, 2013 updated through December 31, 2013, for known and measurable. Staff reviewed all capital investments, revenues and expenses for the period October 1, 2008, through December 31, 2013, for purposes of conducting its review in this rate case proceeding.

Based upon this review, the Audit Staff determined that TDLU warrants an increase in annual water revenues in the amount of \$43,230 and an increase in annual sewer revenues in the amount of \$53,717. This would represent an increase of 18.95% and 20.47% in current water and sewer rate revenues, respectively. A discussion of the Staff's cost of service calculation and proposed adjustments follows below.

DIVIDENDS

The Company has been paying dividends to Mike Tilley as well as his brother 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 to the Company. Amounts disbursed during the test year ending September 30, 2013, totaled \$39,600.

The following chart reflects by year the amount of dividends and draws that have been paid to Mr. Tilley and his brother, 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
Total	\$184,723	\$184,723	\$369,446

The Audit 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

Adjustments – Water and Sewer Operations

The Audit Staff used the plant in-service balances at September 30, 2008, previously determined by the Audit Staff in Case No. WR-2009-0218 and SR-2009-0219 as its starting point in performing this review and included all capital investments that were completed since that time. In this rate case proceeding, the Audit Staff verified each capital investment completed during the period covering October 1, 2008, through December 31, 2013, through a review of the Company general ledger, check registers, bank statements, plant records and invoices.

Staff proposes removal of all costs from plant-in-service associated with a 2011 Cadillac CTS utilized by Kathy Tilley, who serves as TDLU's Secretary/Treasurer. The Audit Staff believes this luxury vehicle is excessive in cost and should not be borne by the ratepayers. Therefore, Staff proposes plant adjustments to remove the \$43,601 of capital costs associated with the Company's proposed inclusion of 2011 Cadillac CTS. The 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 most recent rate proceeding. During Staff's review, 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 transaction and trips to the U.S. Post Office. Ms. Tilley also periodically picks up materials and supplies for TDLU. Therefore, Staff included \$1,730 in its cost of service calculation for mileage incurred by Ms. Tilley for all TDLU business related trips. The Staff recommends that Ms. Tilley maintain travel logs documenting the nature of all business trips and corresponding date of travel and all mileage incurred.

In addition, since the time of the last rate case, TDLU retired its 2002 Ford F-150 Pickup and a 2008 Toyota 4X4 Pickup and replaced them with a 2000 Chevrolet Truck with utility lock boxes and a 2012 Toyota Tundra 4X4 Pickup. Staff plant adjustments P-42.1 through P-42.4 collectively removes \$3,136 from the water cost of service calculation to reflect all of these changes to transportation equipment on the water system, and Staff plant adjustments P-31.1 through P-31.4 collectively removes \$3,136 from the sewer cost of service calculation.

In summary the following chart reflects Staff's inclusion for rate base for TDLU's water and sewer operations at December 31, 2013:

	Water	Sewer
Plant In Service	\$910,942	\$704,475
Accumulated Depreciation Reserve	\$471,018	\$288,458
Net Plant in Service	\$439,924	\$416,017
Contributions in Aid of Construction (CIAC)	(\$246,072)	(\$256,720)
CIAC Depreciation	\$60,324	\$70,977
Inventory	\$752	\$2,305
Total Ratebase	\$254,928	\$232,579

REVENUES

Water

In order to annualize water revenues, the Audit Staff performed an on-site house count to determine the number of customers by rate class. At December 31, 2013, TDLU served 1,286 total water customers consisting of 1,264 residential customers with 5/8" meters, three (3) 1" meter residential, seventeen (17) business customers with 5/8" meters, one (1) business 1" meter, and one (1) business 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 individual customer over a three year period covering October 1, 2010, through September 30, 2013. The Audit Staff reviewed each customer's usage and through discussion with the Company determined which customers maintained permanent residents throughout the year and which customers were seasonal in nature. Based on their usage history, Staff determined a normalized usage for the determination of commodity revenue. In addition, there are approximately three (3) mobile home customers that are not currently metered. The Company informed Staff that they do intend on metering these three (3) mobile home customers at some point in the future. In order to annualize their usage, Staff employed average usages for all current metered mobile home customers as a surrogate. Similarly, if a new customer came onto the system at some point during the test year, Staff included each customer's actual usage and included a system average for any quarter that was missing. Staff's total annualized commodity usage (all usage during a quarter that was above 5,000 gallons) was then priced at \$2.35 per 1,000 gallons. The commodity usage revenue and base revenue were then added to determine total annualized water service revenue level of \$218,297.

The Audit Staff also included other miscellaneous revenues for TDLU's water system in the amount of \$6,840. 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

The Staff annualized sewer revenues based upon the number of customers reported on the TDLU sewer system at the period ending December 31, 2013, at current approved tariff rates. The sewer customer count at December 31, 2013, is 1,245 customers consisting of 1,232 residential customers with 5/8" and 3/4" water meters, nine (9) residential aerator customers, one (1) commercial–pressure customer with a two inch water meter, and three (3) residential customers with one inch water meter. Based upon the current tariffs and these customer levels, Staff determined a \$237,623 level for total annualized sewer service revenues.

Miscellaneous Service Revenue

During the test year ending September 30, 2013, TDLU collected \$29,128 in miscellaneous service revenues. 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, the Audit Staff recommends an inclusion of \$21,836 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, the Audit Staff recommends a reduction to miscellaneous service revenue in the amount of \$7,293 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.

Other Miscellaneous Revenue – Water and Sewer System

The Audit Staff also included Other Miscellaneous Revenues in the amount of \$6,009 broken down as follows: (1) Late fees equal to the test year of \$2,604 (2) Reconnection Fees equal to the test year of \$3,315 and (3) Bad Check Fees in the amount of \$90. These revenues were spread evenly between the water and sewer systems.

UNCOLLECTIBLE EXPENSE

Based on discussions with the Company, the Staff learned that TDLU has been successful in collecting past due balances. This is because the Company is able to collect most past due balance from title companies upon completion of home sales. The Staff determined that the test year level of net write-offs recorded during the test year represents an appropriate level for uncollectible expense.

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 32.98% of the water that was pumped during the test year did not actually

pass through customers' meters. Consistent with its past treatment of lost water at other regulated water utilities, the Audit Staff established a maximum allowable 15% water loss factor in order to address this significant water loss level. Based upon discussions with the Company and a member of the local fire department, as well as a review of a fire hydrant flushing report, it was determined that a small amount of this water loss is due to annual flushing of fire hydrants. This annual fire hydrant flushing program only represents approximately 0.59% of the total water pumped. After removing the gallons associated with fire hydrant flushing from water losses and allowing a 15% water loss factor the Staff determined a 17.38% water loss percentage to apply to the chemicals and electric expense. The Audit Staff maintains the position that the customers should not be forced to pay for electricity expense associated with pumping lost water, above the 15% threshold as established by the Audit Staff as well as the annual fire hydrant flushing program, since they are not afforded the use of this water.

PAYROLL

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 \$38,074. The Audit Staff's opinion is that this salary should be increased to \$55,069 to compensate Mr. Tilley for the work he performs for the TDLU systems. The Audit Staff reviewed salary data for the southeast region from 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. Wages for Mr. Tilley paid during the test year ending September 30, 2013, were \$38,807. Therefore, the Audit Staff recommends an adjustment to increase test year payroll expense in the amount of \$16,262 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. Kathy is a full time employee and acts as office manager for TDLU and is paid an annual salary of \$38,074 for the duties that she performs. Staff's opinion is that this salary is reasonable to compensate Ms. Tilley for the work she performs. Wages for Ms. Tilley paid during the test year ending September 30, 2013 were \$38,807. Therefore, Staff recommends an adjustment to decrease test year payroll expense in the amount of (\$732) that will be split evenly between water and sewer operations.

TDLU also employs a full-time clerical worker, Cindy Hollock, to assist Kathy Tilley with the duties of the office. Ms. Hollock was previously employed with TDLU as a part-time clerical worker. As part of this proceeding, Staff recommends that TDLU begin billing customers for base and commodity revenues on a monthly basis. Since TDLU will begin meter readings and billing customer usages on a monthly basis rather than a quarterly basis, it is expected that this additional workload justifies the recent movement of Ms. Hollock to a full-time status. Ms. Hollock is currently compensated at

a weekly rate of \$500. This wage appears to be adequate to compensate her for the work she performs on a full-time basis. Therefore, an annualized salary of \$26,000 was split evenly between water and sewer operations for this full-time employee.

The Company employs three other full-time employees with one vacancy expected to be filled in 2014. TDLU currently employs a full-time sewer system operator, Stephen Skiles, based upon an hourly rate of \$18.00. Staff believes total level of annual pay of \$37,440 is adequate to compensate Mr. Skiles for the work he performs for TDLU. The two field technicians currently employed by TDLU are compensated at a rate of \$10.75 per hour and \$8.00 per hour, respectively. Mr. Robert Ludwig, the senior field technician, has responsibility for meter reading, system maintenance, facility locates and excavating. The junior field technician, Mr. Ryan Skaggs primarily provides meter reading and system maintenance assistance. The Company has indicated to Staff that by September 1, 2014 it will increase Mr. Ludwig's wage should be increased to \$32,711, a composite average of MERIC SOC Codes 43-5041, Meter Readers, Utilities; 49-0000, Installation, Maintenance and Repair Occupations; 49-9071, Maintenance Workers & Repair Workers, General; and 49-9098, Helpers-Installation, Maintenance & Repair Work. The Company has indicated that by September 1, 2014 it will increase Mr. Skaggs should be increased to \$21,489, the annual wage mean for MERIC SOC Code 49-9098, Helpers-Installation, Maintenance & Repair Work. The Staff believe the proposed increases in wage should properly compensate Mr. Ludwig and Mr. Skaggs for the work they perform for the water and sewer operations of TDLU.

Currently the Company bills its customers monthly for base water charge and for sewer service and on a quarterly basis for commodity usage. In order to improve the Company's cash flow, the Staff recommends that the Company begin to read meters on a monthly basis in order to bill customers for commodity usage on a monthly basis as well. To accomplish this task, TDLU hired John Pratt, who began work on July 14, 2014, to perform this duty as well as assist with other system maintenance needs during periods when meter reading duties are not required to be performed. It is expected that after Mr. Pratt, Mr. Skaggs and Mr. Ludwig will be able to devote more time to specific system maintenance needs as identified by the Staff's Water and Sewer unit and significantly less time towards meter reading. Based upon these assumptions, the Audit Staff recommends inclusion of a full-time employee at a MERIC wage of \$20,006 to perform the duties required by this position. This wage represents the average wage entry level for MERIC SOC Codes 43-5041, Meter Readers, Utilities and 43-9098, Helpers-Installation, Maintenance and Repair Work.

The Audit Staff also recommends inclusion of a full-time employee at a MERIC wage of \$20,006 to perform the duties formerly performed by Jeffrey Anderson. This wage represents the average wage entry level for MERIC SOC Codes 43-5041, Meter Readers, Utilities and 43-9098, Helpers-Installation, Maintenance and Repair Work. During June 2014, Mr. Tilley notified the Staff that he had hired Ryan Mackley to fill this position.

Finally, the Audit Staff recommends removal of all test year amounts paid for sick pay, holiday pay and vacation pay as these amounts are already included in the annualized salaries discussed previously.

PAYROLL TAXES

Payroll taxes paid during the test year were \$13,161. Of this amount, \$8,849 represents the test year level of expense for water operations and \$4,312 for sewer operations. Staff made adjustments to increase these test year levels in the amount of \$2,704 for water operations and \$9,716 for sewer operations to reflect the additional tax liability that will result from the wages that will be paid by TDLU on an annualized basis going forward as well as to annualize payroll taxes to account for the increase in annualized salaries and wages at MERIC rates.

UNIFORM ALLOWANCE

Staff identified a uniform allowance being paid to TDLU employees in the form of payroll. As recommended in Case No. WR-2009-0218 and SR-2009-0219, the Audit Staff recognized the test year level of expense as an appropriate employee benefit paid through payroll for purposes of its review in this docket.

EMPLOYEE BENEFITS

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

The current annual premium to provide this coverage to TDLU employees is \$32,986. TDLU incurred group health insurance expense during the test year ending September 30, 2012, in the amount of \$38,975. The Audit Staff recommends an adjustment to reduce test year by (\$3,158) for water operations and (\$2,831) for sewer operations, to reflect the current premium.

TDLU also purchased supplemental health insurance at a cost of \$5,227 during the test year ending September 30, 2013, for Francis and Kaye Tilley who are Mike Tilley's father and step-mother and who are not employees of TDLU. The Audit 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, the Audit Staff proposes adjustments to reduce test year level of group health insurance expense by \$2,614 for water operations and \$2,614 for sewer operations.

TDLU also purchased dental and life insurance for Mike Tilley, Kathy Tilley and Francis Tilley. The Audit 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, the

Audit Staff proposes a reduction in dental & life insurance expense in the amount of \$1,324 with an adjustment in the amount of \$662 to both water and sewer cost of service.

Finally, the Audit Staff has removed payments made for health insurance claims that should have been the responsibility of the employee.

MAINTENANCE

Water Operations

TDLU has experienced ongoing environmental issues relating to naturally occurring radionuclide levels within its well systems. TDLU has worked with the DNR on this matter and employed the services of Taylor Engineering to evaluate the environmental issues and provide solutions. However, TDLU has not implemented the suggested corrections to the system provided by Taylor Engineering because they were considered cost prohibitive.

TDLU completed repairs to its wells, pumping plant, meters, mains and other plant facilities during the test year. The Audit Staff normalized the on-going level of expense for maintenance to wells, supply & engineering, pumping equipment, mains, meters, and other plant facilities. The Audit Staff recommends a total water system maintenance normalized expense of \$2,956.

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, including some charges for backhoe expenses. The Audit Staff recommends a normalized sewer maintenance expense of \$4,815.

The Audit Staff determined that the test year level of maintenance expense for customer pressure pumps (i.e., customer-owned sewer pumps) should be recommended as the on-going level of maintenance expense as there has been a steady decline in this maintenance expense category for the 12-month periods ending September 30 for 2011 through 2013. As such, the Audit Staff recommends the on-going level of maintenance – customer pressure pump be set at \$21,836. The Audit Staff will also recommend that miscellaneous service revenues be set equal to this amount to reflect full reimbursement from the customer as allowed by TDLU's current tariff.

SLUDGE HAULING

The Staff of the MPSC's Water and Sewer Unit have performed a calculation and determined that TDLU's annualized sludge hauling expense should be \$2,250. The Staff of the MPSC's Water and Sewer Unit, therefore, recommends an adjustment to increase

sludge hauling expense in order to normalize the ongoing level of sludge hauling expense for the sewer system.

CHEMICALS

Water Operations

TDLU purchased chemicals during the test year ending September 30, 2013, for its water system in the amount of \$2,547. Based on discussions with the Company, the Audit Staff learned that the Company uses approximately 877 gallons of chlorine on an annual basis. Based upon the current rate per gallon of chlorine, the Staff recommends the ongoing level of chemical expense be set at annual ongoing level of \$4,841. Therefore, Staff recommends an increase in test year chemical expense in the amount of \$2,294. The Audit Staff also determined a loss water factor of 17.38% for the water system which was discussed previously in this Memorandum. The Audit Staff, therefore, proposes an additional adjustment to decrease chemical expense by the amount of \$840, to reflect the cost to treat water that is lost and never consumed by the ratepayer. The total normalized ongoing level of chemical expense recommended for the water system is \$4,001.

Sewer Operations

The Audit Staff performed a three-year average of expenditures occurring from 2011 through 2013 due to fluctuations in costs incurred during these years and determined an average of \$3,700 as the ongoing level of chemical expense for the sewer system.

TELEPHONE EXPENSE

TDLU's telephone expense includes wireless phone service provided to Judy Tilley, Audrey Tilley and Francis Tilley who are not employees of TDLU. The Audit Staff disallowed the entire portion of phone service attributable to individuals that are not employed by TDLU as well as two-thirds of the wireless phone service provided to Kathy Tilley in order to more accurately reflect her business use of this service. Reflecting the removal of these wireless phone service charges, the Audit Staff determined that the ongoing level of expense for telephone expense for the TDLU office and wireless phones should be \$1,478 allocated each to the water and sewer system.

INTERNET SERVICE

During the test year ending September 30, 2013, TDLU did not incur any expense for internet service provided by Big River Broadband. However, on a going forward basis, Big River Broadband will charge TDLU \$59 per month for an annual expense of \$718. The Audit Staff will allocate this cost evenly between the water and sewer system, as the service will be used by Mike and Kathy Tilley as well as Cynthia Hollock for office functions.

VEHICLE FUEL EXPENSE

Vehicle fuel expense is currently incurred by three TDLU employees: Mike Tilley, Kathy Tilley and Robert Ludwig. All expenses 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, employee and price paid. Kathy Tilley, however, only uses a vehicle one-third of the time for TDLU business. The Audit Staff proposes the annualized gallons for vehicle fuel expense be based upon a three-year average for vehicles used by Mike Tilley and Robert Ludwig and the test year ending September 30, 2013 level for diesel fuel used for power equipment. Staff has now included mileage for Kathy Tilley in lieu of vehicle fuel expense. Staff has included \$6,389 in fuel expense for water and \$9,387 for sewer.

ELECTRICITY EXPENSE

Water Operations

The Audit Staff reviewed TDLU's Ameren Missouri electric invoices, TDLU's general ledgers and check registers and determined a normalized electricity expense as follows: (1) Well #3 normalized usage based upon usages in calendar year 2013 adjusted for water losses and re-priced normalized usage for Well #3 at current tariff rates was determined by Staff to be \$14,876 for the on-going level of electricity expense; (2) Well #2 - chlorinator normalized usages based upon usages for the 12-months ending September 30, 2013 adjusted for water losses and re-priced normalized usage for Well#2 - chlorinator at current tariff rates was determined by Staff to be \$604 for the on-going level of electricity expense; (3) Well #2 - pump normalized usages based upon usages for the 12-months ending September 30, 2013 adjusted for water losses and re-priced normalized usage for Well #2 - pump at current tariff rates was determined by Staff to be \$2,797 for the on-going level of electricity expense; (4) maintenance shop and private lighting at the maintenance shop normalized usage based upon usage for the 12-months ending September 30, 2013 and re-priced normalized usage for the maintenance shop and private lighting was determined by Staff to be \$283 for the on-going level of electricity expense; and (5) TDLU Office normalized usage based upon usage for the 12-months ending September 30, 2013 and re-priced normalized usage for the TDLU Office was determined by Staff to be \$809 for the on-going level of electricity expense. In addition, the Audit Staff recommends an adjustment to normalize sales tax based upon the recommended annualized level of electricity expense.

Sewer Operations

The Audit Staff reviewed invoices provided by Ameren Missouri, TDLU general ledgers and check registers. Electricity usage at each location on the sewer system was based upon the usage for the twelve-months ending September 30, 2013. As such, the Audit

Staff normalized electricity expense as follows: (1) maintenance shop and private lighting at the maintenance shop normalized and re-priced normalized usage for the maintenance shop and private lighting was determined by Staff to be \$418 for the on-going level of electricity expense; (2) TDLU Office normalized and re-priced normalized usage for the TDLU Office was determined by Staff to be \$1,198 for the on-going level of electricity expense; (3) oxidation ditch normalized and re-priced normalized usage for the oxidation ditch was determined by Staff to be \$3,890 for the on-going level of electricity expense; (4) lift station no. 1 normalized and re-priced normalized usage for lift station no. 1 was determined by Staff to be \$772 for the on-going level of expense; (5) 3-cell lagoon normalized and re-priced the normalized usage for the 3-cell lagoon was determined by Staff to be \$2,554 for the on-going level of electricity expense; (6) lift station no. 2 normalized and re-priced the normalized usage for lift station no. 2 was determined by Staff to be \$924 for the on-going level of electricity expense and (7) lift station no. 3 normalized and re-priced the normalized usage for lift station no. 3 was determined by Staff to be \$2,680 for the on-going level of electricity expense. In addition, the Audit Staff recommends an adjustment to normalize sales tax based upon the recommended annualized 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 \$12,258. The amount paid during the test year ending September 30, 2013, was \$11,992. Therefore, the Audit Staff is recommending an adjustment to increase property and casualty insurance expense by \$468 for the water system, and an adjustment to decrease property and casualty insurance expense by (\$202) for the sewer system, with total increase in cost allocated between the two systems based upon percentage of total rate base.

BILLING AND COLLECTIONS EXPENSE

TDLU recorded no expense for cardstock used for water and sewer billings during the test year ending September 30, 2013. Therefore, the Audit 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 the Audit Staff in this proceeding and the current cost per bill of \$0.20, the annualized cost for cardstock is \$1,503 for water, and \$1,437 for sewer. The Audit 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.

The Audit Staff also developed an annualized level of expense for envelopes used for mailing vendor payments for inclusion in TDLU's cost of service calculations. Based upon the most recent purchase of envelopes by TDLU, the cost is \$0.03 per envelope. Using the normalized number of vendor payments determined by the Audit Staff in this proceeding and the current cost per envelope of \$0.03, the annualized cost of envelopes should be \$11 for water and \$11 for sewer. As such, the Audit Staff recommends an adjustment of \$11 and \$11 to billing and collections for water and sewer operations, respectively.

POSTAGE EXPENSE

During the test year, TDLU recorded \$2,434 and \$2,434 for postage costs for its water and sewer operation, respectively. The Audit Staff annualized postage expense by determining annualized billing and mailing costs based upon the current customer level and the normalized number of vendor payments expected to be made on a going forward basis. Based upon this analysis, the Audit Staff recommends an annualized postage expense level of \$2,974 for water operations and \$2,853 for sewer operations.

MEMBERSHIP FEES

TDLU pays membership fees to the Missouri Rural Water Association (MRWA). Staff included \$595 for water and \$295 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, 2013, TDLU was assessed an amount of \$1,620 for its office and maintenance shop. The Audit 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 Audit 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.

Sewer Operations

Missouri state statute also requires TDLU to pay state operating permit fees under the Missouri Clean Water Act. TDLU is required to pay \$3,000 for its three-cell lagoon and \$100 for its one-cell lagoon. In addition, TDLU must pay a \$3,000 discharge fee for its oxidation ditch treatment plant. Staff annualized a total of \$6,145 for fees paid to DNR, which includes \$3000 for an operating permit for the three-cell lagoon, \$3,000 for a discharge fee for the oxidation ditch, \$100 for an operating permit for the single-cell lagoon and a \$45 license fee for its backup sewer system operator. Staff included these cost in TDLU's cost of service.

OUTSIDE SERVICES

TDLU employs J & S Accounting services to prepare TDLU financial statements, quarterly financials, federal and state tax filings, as well as payroll and sales tax filings. Total expenditures during the test year were \$1,661 for water operations and \$1,661 for sewer operations for a total expense of \$3,322. The Audit Staff proposes an adjustment to this expense to reduce the on-going level to \$1,557 for water and \$1,557 for sewer.

TDLU has also secured the legal services of Bruntrager & Billings P.C. to represent the Company in litigation involving compliance issues brought forth by DNR and Missouri Office of the Attorney General (AGO) on behalf of DNR. Total costs incurred during the test year were \$768. The Staff believes these fees could have been avoided by the Company. Therefore, the Audit Staff removed the test year level of these fees from the cost of service calculation.

Over the past seven years, TDLU has sought the expertise of several engineering firms to assist in addressing the compliance issue set forth by the DNR. These issues include: (1) radionuclides in the water supply; (2) Inflow & Infiltration problems on the sewer system; (3) ineffective and/or obsolete plant on the sewer system. In total, TDLU has incurred \$31,826 for the period 2006 through 2013.

Taylor Engineering provided expertise on radionuclides (water system) in the amount of \$9,657 and wastewater improvements (sewer system) in the amount of \$8,144 for a total cost of \$17,801. Taylor Engineering is not currently providing any services to TDLU and no capital project resulted from the engineering study provided to TDLU. Therefore, the Audit Staff recommends that these fees be excluded from TDLU's cost of service.

Smith & Company provided expertise relating to compliance issues on the existing wastewater treatment system (sewer system) in the amount of \$7,500. Smith & Company is not currently providing any services to TDLU and no capital project resulted from the

engineering reports provided to TDLU. Therefore, the Audit Staff recommends that these fees be excluded from TDLU's cost of service.

More recently, TDLU entered into a contract with Schultz Survey and Engineering to obtain a preliminary engineering and system design study to address the compliance issues set forth by the DNR and the AGO. The initial contract fee was set at \$500 per month. As of December 31, 2013, TDLU has incurred \$2,000 in engineering fees from Mr. Schultz for the water system. TDLU has also incurred \$4,025 in engineering fees from Mr. Schultz for the sewer system. It should be noted here that Mr. Schultz found it necessary to amend the original contract with TDLU based upon discussions conducted between Company, Staff and Mr. Schultz in early 2013 as the scope of work had expanded. As of this date, no capital project has resulted from the engineering work performed by Mr. Schultz. The Audit Staff recommends at this time that the fees incurred to date by TDLU be amortized over two (2) years. This proposed two year amortization is conditioned upon TDLU agreeing to the Staff's Water and Sewer Unit's condition that the Company be required to file another rate case within 18 months of the effective date of rates in this rate proceeding. If this rate filing condition is not acceptable to TDLU, then the Audit Staff would propose that these fees be amortized over five years. On a going forward basis, the Audit Staff will recommend that the annual expense for engineering fees be set at zero. Instead, the Audit Staff proposes that any engineering fees incurred by TDLU be capitalized as capital improvement projects are placed in-service.

LAB TESTING – HYDRO SERVICES

During the test year ending September 30, 2013, TDLU incurred \$2,850 in expense for services provided by Hydro Services for lab testing. The Audit Staff has determined that the level of annual expense should be \$3,120 based upon four (4) quarterly wastewater tests for the single-cell lagoon as required by DNR and twelve (12) monthly wastewater tests required for the north lagoon and oxidation ditch. Therefore, the Audit Staff is recommending an adjustment to increase test year level expense by \$270.

PSC ASSESSMENT

The Staff recognized \$2,024 for water operations and \$2,480 for sewer operations in the cost of service calculations to reflect the most current fiscal year 2015 PSC assessment that was issued on July 1, 2014. Amounts paid during the test year ending September 30, 2013 were \$7,785 and \$15,675, respectively. Therefore, Staff recommends an adjustment to decrease the annual assessment for the water system by (\$5,761), and a decrease in assessment for the sewer system in the amount of (\$13,195).

REAL ESTATE AND PERSONAL PROPERTY TAX

TDLU paid real estate and personal property taxes during the calendar year 2013 in the amount of \$2,496 for water and \$2,496 for sewer for a total real estate and personal property tax liability of \$4,992. The actual real estate and personal property tax liability paid for the calendar year ending December 31, 2013, was \$4,949. The Audit 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. The Audit Staff recommends a decrease of (\$485) for the water operations, to reflect the current tax liability paid for the year ending December 31, 2013, in the amount of \$2,011 for the water system. The Audit Staff recommends an adjustment to decrease real estate and property tax expense by (\$55) for the sewer operations to reflect a current tax liability paid for the year ending December 31, 2013 in the amount of \$2,441 for the sewer system. The Audit Staff also recommends that the property tax expense associated with the Cadillac CTS be removed.

RATE CASE EXPENSE

Staff has included all prudent rate case expense items incurred by the Company through June 30, 2014. Staff normalized \$7,074 over two years and spread this cost evenly between the water and sewer systems. This resulted in a \$1,768 increase in expense in water operations and the same level of increase in expense for sewer operations.

AUDIT STAFF RECOMMENDATIONS

The Audit Staff recommends the following items:

1. The Audit Staff recommends that the Commission grant TDLU a \$43,230 increase in water revenue requirement and a \$53,717 increase in sewer revenue requirement.
2. The rates agreed to herein reflect salary increases for Company employees Mike Tilley, Robert Ludwig, Sr., and Ryan Scaggs, Jr. These salary increases will take effect on September 1, 2014, and the Company shall provide proof of the same (i.e., copies of W-4s, cancelled payroll checks and Federal Forms 940 and 941) to the Manager of the Auditing Unit for the Staff and the Chief Accountant for OPC by September 15, 2014, or if not final by that date, within three days of the documents' respective submission to the employee or regulatory entity..
3. Company shall improve its methods and procedures for tracking when customers join and leave the system. The Audit Staff shall assist TDLU with regard to this recommendation. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
4. Company shall begin tracking costs related to each customer connection to the water system using the form attached to this Memorandum. 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. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.

5. Company shall begin tracking costs related to each customer connection to the sewer system using the form attached to this Memorandum. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
6. 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. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
7. 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. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
8. Company shall immediately begin recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of this cost. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
9. 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. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
10. 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). The Audit Staff is available to assist the Company with this recommendation. The Audit Staff

recommends the Company do this in conjunction with the Company filing its next Annual Report to the Missouri Public Service Commission.

11. 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. The Audit Staff recommends this condition be met within thirty (30) days of the effective date of new rates.
12. 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. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
13. Company shall also backup all books and records recorded in its Peachtree Accounting System to ensure proper maintenance of Company documentation. The Audit Staff recommends this condition be met within thirty (30) days of the effective date of new rates.
14. On or before August 15th of each year, Terre Du Lac shall provide to the manager of Auditing 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 Auditing 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.
15. Company shall backup all meter readings and water loss data recorded in its Thoroughbred Database System on a monthly basis to ensure proper maintenance of Company water usage and loss information. The Audit Staff recommends this condition be met no later than thirty (30) days after new rates become effective.
16. The Audit Staff recommends the Company continue to record master meter readings at a minimum on 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.
17. In all future rate case filings, TDLU shall be required to file both its water and sewer systems concurrently.

Terre Du Lac Utilities Corporation

Water Tap

Work Order No. _____

Customer Name: _____

Address: _____

Date: _____

Parts and Labor

Materials and Supplies

Cost

Meter Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

Subtotal _____

Labor

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

Subtotal _____

Total _____

LESS: Total Amount Billed to Customer _____

Company's Plant Investment _____

Terre Du Lac Utilities Corporation

Sewer Tap

Work Order No. _____

Customer Name: _____

Address: _____

Date: _____

Parts and Labor

Materials and Supplies

Cost

Pump Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

_____ Size: _____

Subtotal _____

Labor

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

Subtotal _____

Total _____

LESS: Total Amount Billed to Customer _____

Company's Plant Investment _____

Agreement Attachment I

EMSU Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Unit

Case Nos. WR-2014-0104

and SR-2014-0105

Terre Du Lac Utilities Corporation

Debbie Bernsen and Kay Niemeier

On October 19, 2012, Staff of the Missouri Public Service Commission (“Staff”) filed a Request for Investigation into Terre Du Lac Utilities Corporation (“Company” or “TDLU”) with the Missouri Public Service Commission (“Commission”) to open an investigative docket for the purpose of conducting a review of the managerial, financial, and operational capabilities of TDLU. On October 24, 2012, the Commission granted Staff’s request, and the investigation was assigned Case No. WW-2013-0196. Staff completed a preliminary investigation and filed a status report in WW-2013-0196 on September 20, 2013. The Company subsequently filed a rate increase request for water revenues of 15% and sewer increase revenues of 16.5% on October 15, 2013. These requests were assigned Case Nos. WR-2014-0104 and SR-2014-0105.

The Engineering and Management Services Unit (EMSU) staff of the Commission participated in the Staff investigation and performed an initial review of the customer service and business processes, procedures, and practices of TDLU in Bonne Terre, Missouri, in conjunction with the investigative case in WW-2013-0196. For Case Nos. WR-2014-0104 and SR-2014-0105, the EMSU staff completed additional analysis, issued additional data requests to update information since its on- site work was completed in the investigative case and conducted interviews with Company personnel located in Bonne Terre, Missouri. Some of these data requests responses were just received and are being reviewed by EMSU staff.

The EMSU staff examined the Company’s tariffs, Commission complaint and inquiry records, and other documentation related to the Company's customer service and business operations. The EMSU staff’s review of the Company resulted in the following recommendations for Company management.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Develop written job descriptions for each position at the Company that adequately reflects the employees' current job duties and responsibilities. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
2. Develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
3. 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 days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
4. Maintain Commission-approved billing estimation procedures to ensure the Company adheres to Commission Rule 4 CSR 240-13.020(2)(C) in the event that an estimate is necessary. This recommendation should be completed within thirty days of the effective date of the Commission order issued in Case No. WR-2014-0104.
5. Consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.050, to assist the Company in its management of bad debt. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
6. Discontinue the practice of discontinuing service due to a delinquent non-pay account being paid with an insufficient funds check without proper notification to the customer. Make a reasonable effort to contact customers 24 hours in advance of a service discontinuance, notifying them of the impending discontinuance of service and the amount owed to avoid it, consistent with the provisions of 4 CSR 240-13.050(7). This recommendation should be completed within thirty days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
7. Evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

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

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

The scope of this review focused on 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.

The Company has an office located at 1628 South St. Francois Road, Bonne Terre, Missouri, which is open from 8:30 a.m. to 4 p.m. Monday through Friday. The office is staffed with two full-time Office Managers and an assistant on a part-time basis. Office personnel are responsible for all administrative functions associated with the Company such as billing, payment remittance, financial account posting, and credit and collection functions. One Office Manager has primary responsibility for outside operations. The Company currently employs three other full-time employees with one vacancy expected to be filled in 2014. These three employees are responsible for field operations, such as meter reading, system maintenance,

facility locates, and excavating. One of the employees acts as the full-time sewer system operator. Employees do not have written job descriptions. Time sheets are used by field personnel to allocate time to either water or sewer operations and for payroll purposes. Office personnel complete time sheets, but do not track information on specific work activities. Vehicle logs are not used to track vehicle miles associated with performing work activities. The Company does utilize contractors for various activities as needed, such as conducting annual inspections and pumping work.

Outside of normal office hours, the Company 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 employee on call who responds to emergency situations. Field operators perform maintenance and repairs, as needed, on holidays and weekends.

Meter Reading

The Company renders a bill to customers on a monthly basis with a customer charge. On a quarterly basis, the meters are read, and the bill that month includes a usage charge based upon the meter reading. Between two to four employees read the eleven routes. The Company indicates it requires the two to four field employees a period of three weeks to complete the meter readings. The Company attempts to begin reading meters around the 1st of each month. Meter readings are manually recorded on a meter reading worksheet that includes the last reading and a space to enter the new reading.

Under its present procedures, the Company only reads meters on a quarterly basis and bills usage at that time. The reading schedule is conducted over a three-week period and during that time they will make additional attempts to obtain an actual reading. The Company indicates it does not presently read inactive meters. The Company has indicated it intends to read meters on a monthly basis at some time in the future. If this occurs, the EMSU staff encourages the Company to obtain a quarterly reading on inactive meters to be alert to possible unauthorized use of water.

Customer Billing

The Company bills monthly but only reads meters quarterly. A monthly customer charge based upon the meter size is billed on the monthly bill. At the end of each quarter, the meters are read and usage is computed and billed at that time. The quarterly bill will include both the customer charge and the usage fee. As stated earlier, the Company has indicated a change to monthly meter reading in the future. Once a decision is made regarding the timing of this change, the Staff believes it will be very important to communicate this to the customer in advance of the billing change occurring.

The Company currently does not have bill estimation procedures in its tariff. The Company indicated that the need to estimate usage is rare.

Thoroughbred Utility Manager 32 is the billing software utilized by the Company since year 2000 to maintain customer account records and prepare monthly billing statements. At the present time, customers receive a monthly bill with the monthly customer charge. Every quarter when the meters are read, the usage charge is also calculated and is added to the bill. Bills are reviewed to discover possible reading errors and questionable reads may dictate an additional trip to check the meter reading. Inactive meters are normally not read. Bills are generally mailed on the 22 day of the month.

Payment Remittance

Customers may pay their bills by using the mail, using one of two drop boxes, or paying their bill at the local bank. In addition, the customer may pay using an online bill payment. The Company picks up mail and checks the two drop boxes daily. Customers are able to make payments by cash, check or online. Payments are normally posted to the customer's account on the day received.

Credit and Collections

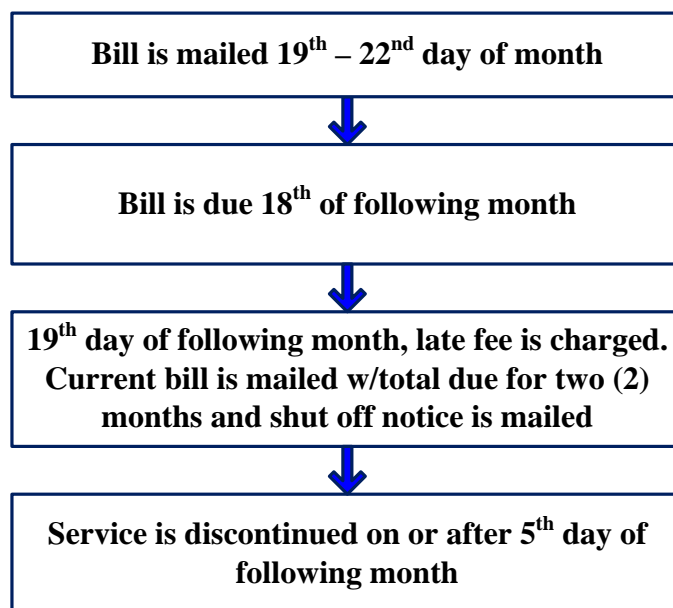
The Company collects a written application from each new customer and requires a social security number or driver's license, but does not collect customer deposits from its customers. The Company's tariff provides for the collection of a customer deposit in an amount not to exceed the estimated bill for two months with the minimum deposit being \$5.00.

The Company's late fee of one and one-half percent per month times the unpaid balance is applied to delinquent accounts, which are accounts that have not been paid by the 19th of the month. The Company indicated that delinquent bills for renters' accounts are also mailed to the renters' landlords. The Company asserted that it attempts to collect renters' bills that have left the service territory from landlords.

The Company represented to the EMSU staff that it charges \$15.00 for collection of delinquent non-pay accounts. Currently, the Company accepts payments of cash or check in the field to avoid service discontinuance. Customers that make cash payments in the field receive a receipt. The Company indicated that it may not be collecting a fee for every separate trip made to the customer's residence. For example, the customer may only be charged one fee for both a disconnection and a reconnection even if two trips were made to the residence. The EMSU staff discussed the possible review of the Company's tariff regarding its delinquent non-pay fees, disconnect and reconnect fees. Any change to its tariff regarding these fees will be handled by the Water and Sewer Unit staff.

Delinquent non-pay accounts are approximately forty-six days past the billing date and sixteen days past the delinquent date when service is subject to discontinuance. The Company's flowchart of the handling of its delinquent accounts is displayed below.

Delinquent Account Actions



Source: Company Interview held February 7, 2013

As illustrated, the Company normally takes some action towards collection after the second bill is also in arrears. The EMSU staff will discuss possible changes to the Company's current schedule of collection activities in the Findings, Conclusions and Recommendations Section of this report.

According to the Company, discontinuances of service due to delinquent non-pays are performed on Tuesdays or Wednesdays. An employee knocks on the customer's door prior to discontinuing service and leaves a notice at the door after the service is discontinued. For 2013, the Company recorded 519 discontinuances of service due to delinquent non-pay. On April 19, 122 shut off notices were mailed and, of the 122 accounts, 29 discontinuances of service occurred. The Company asserted that 16 of the 29 discontinuances due to delinquent non-pay were reconnected after payment was received. Payment in full, which includes the delinquent non-pay fee, is required to have service restored following discontinuance due to delinquent non-pay.

The Company indicated to Staff that it rarely receives an insufficient funds check from customers. For 2010, 2011 and 2012, the Company recorded nine, eleven and five insufficient funds checks, respectively. The Company asserted to the EMSU staff that an employee attempts to contact the customer by phone prior to their service being discontinued in order to inform the customer of the insufficient funds check and to make payment arrangements. If not contacted by phone, a door hanger is left at the premise informing the customer to contact the Company in order to make payment arrangements. It is possible that service could be discontinued without notification due to an insufficient funds check. If the insufficient funds check is for payment of a delinquent non-pay account, the customer is contacted by phone to make payment arrangements. If the customer contact is not made, the Company discontinues service and leaves a door hanger at the premise informing the customer of the reason service was discontinued, the amount due in order to have service restored and requesting the customer contact the Company.

The Company's tariff allows a returned check charge of \$15.00 per check for insufficient funds checks. The Company represented to the EMSU staff that its bank charges it \$5.00, and the Company charges its customers a returned check charge of \$25.00 for insufficient funds checks. The Company was instructed by the EMSU staff to discontinue the practice of charging \$25.00 for insufficient funds checks. The EMSU staff discussed the possible review of the

Company's tariff regarding its returned check charge. Any change to its tariff will be handled by the Water and Sewer Unit staff.

The Company indicated to the EMSU staff that it experiences bad debt write-offs although its annual report stated there were no bad debt write-offs. The Company does not contract with an outside collection agency to attempt to collect on its bad debt write-offs. The Company indicated that it attempts to collect its bad debt write-offs by adding its total amount due to closing costs when the property is sold and the title company collects and reimburses the Company.

The Company represented that it has experienced theft of service. When this occurred, the Company removed the meter at the premise and locked the service. The Company indicated that it has no list of agencies to assist customers in payment of their bills but it has previously had churches assist customers in payment of their bills.

Complaints and Inquiries

Customers may call, mail, fax or email complaints or inquiries to the Company. Most contacts begin with a phone call. Calls are generally answered by the Office Manager who can access their billing history and attempt to resolve a customer's inquiry. The Company maintains a customer complaint log. The Commission's Electronic Filing Information System (EFIS) received three customer complaints in 2010, one customer complaint in 2011 and three customer complaints during 2012. There were a total of seven public comments filed by customers in this case.

Customer Communication

The Company has a written information brochure which contains necessary information required by Commission Rule 4 CSR 240-13.040. Brochures are available to customers at the office and new customers receive one when applying for service. If necessary, the Company is able to provide messages to customers on their monthly billing statements.

Records and Documentation Retention

The Company maintains records in a fireproof cabinet for several years. It also does back-ups on CD of all billing records. Thoroughbred Utility Manager has also kept records of service locations and billing since 2005.

Findings, Conclusions, and Recommendations

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

- Job Descriptions
- Time Records
- Vehicle Logs
- Billing Estimation Procedures
- Customer Deposits
- Insufficient Funds Check Fee
- Discontinuance of Service Due to Insufficient Funds Check
- Review of Schedule for Collection Activities

Job Descriptions

Employees that complete the work activities for the Company do not have written job descriptions defining their activities and responsibilities. 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 the Company. 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. The EMSU staff encourages the Company to develop and maintain job

descriptions for all personnel to adequately reflect the employees' current job duties and responsibilities.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop written job descriptions for each position at the Company that adequately reflects the employees' current job duties and responsibilities. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Time Records

Time records indicating specific job activities are not completed by all employees conducting work activities for the Company. A time record provides an important method to document the specific work and time attributable to it and should be utilized by all employees.

Maintaining accurate time records can serve and support several purposes such as planning, budgeting, and staffing. Time records assist in tracking the amount of time employees expend on all projects, enabling schedules of required work to increase operational efficiencies. Data contained in time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employees and supervisors should sign time sheets to verify the accuracy of the information recorded. Employee time records are useful in the regulatory process to support the salaries and benefits that regulated utilities will receive in customer rates. In situations where employees' work activities are shared among several different companies, it becomes even more important to utilize time sheets that reflect the actual work performed.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Vehicle Logs

Company employees do not currently log the mileage associated with jobs while utilizing Company vehicles. This lack of written documentation makes it difficult to ensure that

Company vehicles are being used for Company-related activities and the actual cost associated with specific jobs. An appropriate vehicle log would provide useful information including the vehicle type, date, employee name, a general description and location of the task, and the miles driven attributable to the task.

THE EMSU STAFF RECOMMENDS THAT COMPANY 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 days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Billing Estimation Procedures

The Company has not submitted billing estimation procedures for approval to the Commission per CSR 240-13-020 (2), which states:

- (2) Each billing statement rendered by a utility shall be computed on the actual usage during the billing period except as follows:
- (C) Under no circumstances shall a utility render a bill based on estimated usage –
 - 1. Unless the estimating procedures employed by the utility and any substantive changes to those procedures have been approved by the commission;

The Company indicated it seldom has a need to estimate bills except under conditions of extreme weather. However, there are benefits to having an approved procedure in the event the Company is forced to estimate bills. Given the existence of the rule requiring Commission approval of the procedures, the Company needs to address formalizing a procedure and submitting it for Commission approval.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Maintain Commission-approved billing estimation procedures to ensure the Company adheres to Commission Rule 4 CSR 240-13.020(2)(C) in the event that an estimate is necessary. This recommendation should be completed within thirty days of the effective date of the Commission order issued in Case No. WR-2014-0104.

Customer Deposits

The Company does not require customer deposits from customers until they have demonstrated to the Company that they are a delinquent paying customer. Customer deposits can assist to ensure that customers do not leave the Company with large amounts of uncollectibles. The utilization of customer deposits for new customers based upon the provisions of 4 CSR 240-13.030 could assist the Company in maintaining a low level of bad debt write-offs.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.030, to assist the Company in its management of bad debt. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Insufficient Funds Check Fee

At the time of the audit on-site work, the Company was incorrectly charging a returned check fee of \$25.00 for each insufficient funds check. The Company's tariff allows a returned check fee of \$15.00. The Company was advised by the EMSU staff to discontinue the practice of charging \$25.00. The Company has indicated it has discontinued this practice and are now utilizing the current tariff amount.

Discontinuance of Service Due to Insufficient Funds Check

The Company does not notify all customers with insufficient funds checks that their service is subject to discontinuance prior to their service being discontinued. When a customer has made payment with an insufficient funds check of an account subject to discontinuance of service due to non-payment, the Company attempts to contact the customer by phone to inform them of the check. If the Company is not able to contact the customer, the service is discontinued and notice is left at the premise. According to Commission Rule 4 CSR 240-13.050(7), the Company is required to make a reasonable effort to contact the customer 24 hours in advance of a service discontinuance. If the Company is unable to contact the customer by telephone, the Company could leave a door hanger at the residence and provide the customer 24 hours to contact the Company to avoid discontinuance of service.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Discontinue the practice of discontinuing service due to a delinquent non-pay account being paid with an insufficient funds check without proper notification to the customer. Make a reasonable effort to contact customers 24 hours in advance of a service discontinuance, notifying them of the impending discontinuance of service and the amount owed to avoid it, consistent with the provisions of 4 CSR 240-13.050(7). This recommendation should be completed within thirty days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

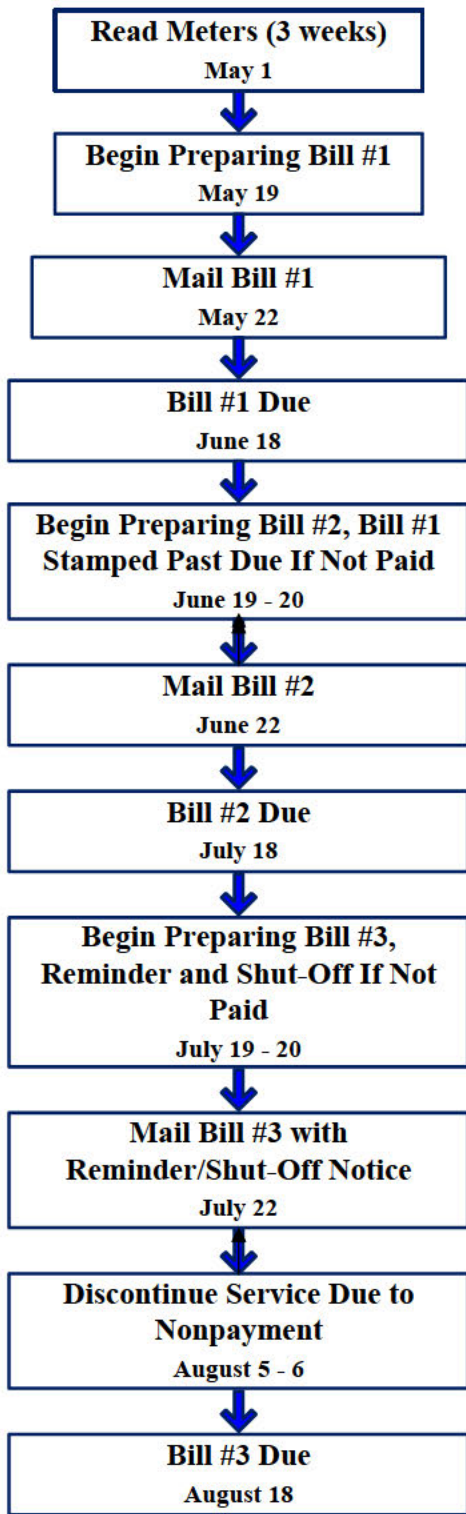
Review of Schedule for Collection Activities

The Company defers taking any significant actions on collecting on delinquent accounts until the customer has received two bills with arrears. This delay of collection action impacts the Company's cash flow and may also affect the amount of the Company's bad debt write-offs.

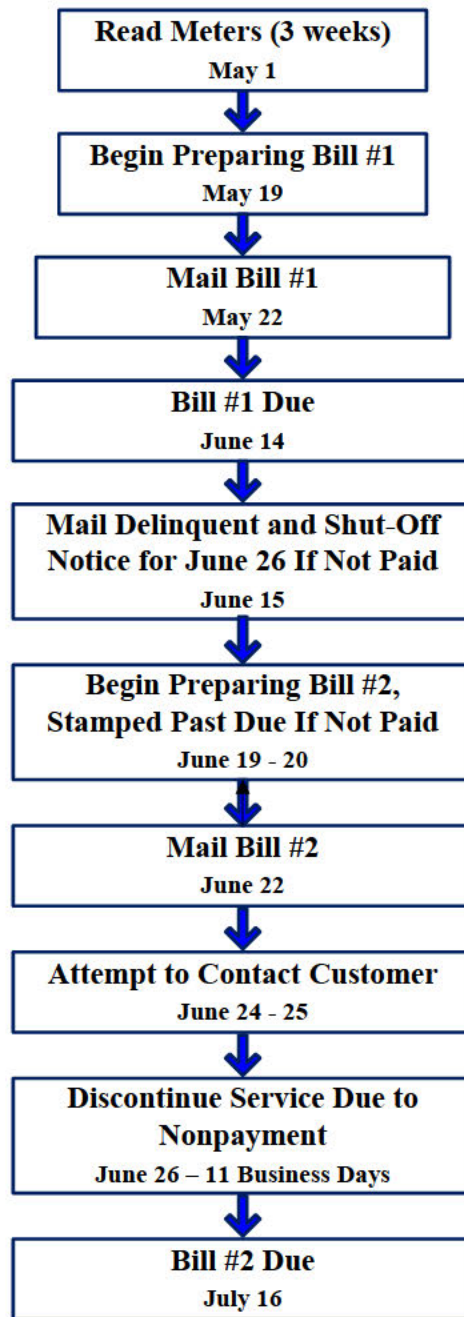
The EMSU staff did an analysis of the Company's present process for preparing bills and the timeline for collection actions taken if the customer's bill remained delinquent. The EMSU staff found that the Company was in some cases going significantly beyond the requirements of 4 CSR 240-13 (Billing Rules) when it came to allowing customers an adequate time to pay bills before accounts were considered delinquent. The Company was adding the delinquent bill amount to the next month's bill, stamping it past due, and allowing the customer an additional month to pay their delinquent bill. Only after two delinquent bills, did the Company notify the customer that they were subject to disconnection. Instead, the EMSU staff suggests the Company should begin to take action to collect delinquent amounts within the timelines provided by the Billing Rules. The appropriate notifications to customers should include the potential of a discontinuance of service when the customer's payment is delinquent and not wait until additional bills are rendered. Customers will be made more aware of the importance of payments being received in a timely manner.

continued on next page

Present Process



Expedited Process



If any changes are made to these practices, it will be important for the Company to communicate

these to the customer in advance to ensure their understanding. Changes to these collection practices would be most effectively implemented in conjunction with a change to including water usage in each monthly billing instead of quarterly.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Implementation Review

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

Agreement Attachment J

Summary of Case Events

Terre Du Lac Utilities Corporation
Case # WR 2014-0104
Summary of Case Events

Date Filed	October 21, 2013
Day 150	February 18, 2014
Extension?	None
If yes, why?	N/A
Amount Requested	\$32,745
Amount Agreed Upon	\$43,230
Item(s)/Dollar(s) Driving Rate Increase	Increase in operations cost
Number of Customers	1,286
Return on Equity	6.997%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SR-2014-0105
Status with Secretary of State	Good Standing
DNR Violations	None
Significant Service/Quality Issues	None

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Lisa Ferguson-Auditing Department

Arthur Rice – Engineering & Management Services Department

Deborah Bernsen – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI


AFFIDAVIT OF JAMES M. RUSSO

In the Matter of a Request of a Rate Increase)
by Terre Du Lac Utilities Corporation)

File No. WR-2014-0104

STATE OF MISSOURI)
) SS
COUNTY OF COLE)


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



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

Subscribed and sworn to before me this 23rd day of July, 2014.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION


OF THE STATE OF MISSOURI

In the Matter of a Request of a Rate Increase) File No. WR-2014-0104
by Terre Du Lac Utilities Corporation) File No. SR-2014-0105

AFFIDAVIT OF LISA M. FERGUSON

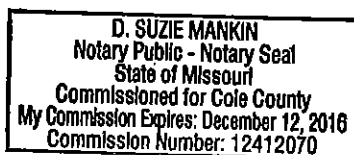
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

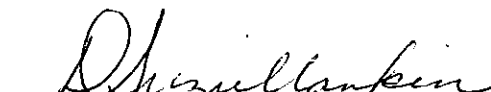
COMES NOW Lisa M. Ferguson, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Auditor in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Auditing Unit; (2) that she participated in the Staff's investigation of the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



Lisa M. Ferguson
Utility Regulatory Auditor IV
Auditing Unit

Subscribed and sworn to before me this 14th day of July, 2014.





Notary Public

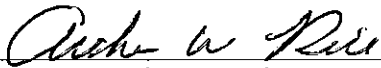
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Request of a Rate Increase) File No. WR-2014-0104
by Terre Du Lac Utilities Corporation) File No. SR-2014-0105

AFFIDAVIT OF ARTHUR W. RICE, P.E.

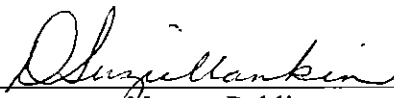
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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


Arthur W. Rice
Utility Regulatory Engineer I
Engineering & Management
Services Unit

Subscribed and sworn to before me this 22nd day of July, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public

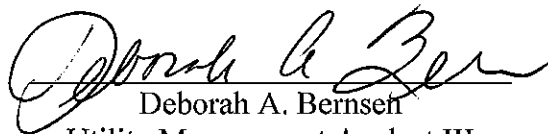
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Request of a Rate Increase) File No. WR-2014-0104
by Terre Du Lac Utilities Corporation) File No. SR-2014-0105

AFFIDAVIT OF DEBORAH A. BERNSEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


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



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

Subscribed and sworn to before me this 22nd day of July, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public