

RATE INCREASE REQUEST LETTER – COMBINED SEWER & WATER SERVICE

October 24, 2016

Secretary of the Commission
Missouri Public Service Commission
Attn: Data Center
P.O. Box 360
Jefferson City, MO 65102

FILED

OCT 28 2016

**Missouri Public
Service Commission**

RE: Requests for Increases in Annual Sewer and Water System Operating Revenues
MO PSC Small Utility Rate Case Procedure

Dear Secretary:

Gladlo Water & Sewer Company (the Company) holds certificates of public convenience and necessity granted by the Missouri Public Service Commission (the Commission), under which the Company provides sewer collection and treatment services and water supply and distribution services in Phelps County, Missouri. The Commission first authorized the Company to provide regulated sewer utility service in June, 1997 and regulated water utility service in June, 1997. The Company currently provides service to approximately 67 sewer customers and approximately 71 water customers within its certificated area under the provisions of its Commission-approved tariffs. The Company's customer rates for water & sewer service were last changed in August, 2013.

Pursuant to 4 CSR 240-3.050, the Commission's rule pertaining to rate increase requests made by qualifying small utilities, the Company is hereby requesting an increase of \$3,655 to its annual sewer system operating revenues and an increase of \$6,678 in its annual water system operating revenues. Based upon current customer rates, tariffed revenues, and customer count, these increases represent changes of approximately 17.25% in the Company's annual sewer system operating revenues and approximately 33.6% in the Company's annual water system operating revenues. The Company understands that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions will also be reviewed during the Commission Staff's review of the rate increase requests, and may thus be the subject of Staff recommendations at the conclusion of the rate increase process.

The specific reasons for the requested increases in the Company's annual operating revenues for sewer service include:

- Gladlo has not been receiving the previously-approved revenue requirement under current rates.
- In accordance with a recommendation included in the previous rate case, Gladlo has taken on additional debt to pay for a fence surrounding the Sewer Lagoon, such loan and its cost requiring approval ASAP.
- Modest increase in the management fee for the Receiver (from \$13/ customer/ mo. to \$15/ cust./ mo.). This would be the first such increase since Heartland Utilities took over as receiver in March, 2009.

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- Cost increases for maintenance of the sewer lagoons.

The specific reasons for the requested increases in the Company's annual operating revenues for water service include:

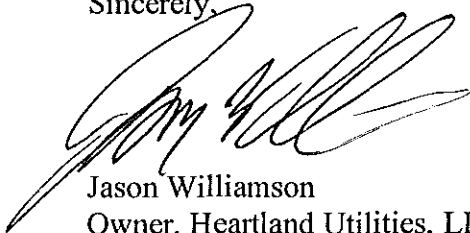
- Gladlo has not been obtaining the previously-approved revenue requirement under current rates.
- Gladlo has been unable to pay down trade debt from equipment purchases made prior to the last rate case (2012) and is accruing interest costs at nearly \$200 per month. This request includes request for a temporary surcharge to payoff this debt.

I have attached calculation worksheets that I used in developing the rate increase requests. This data is available in Excel format upon request.

Lastly, I wish to advise you that the Company, to the best of its knowledge, is current on the payment of its Commission annual assessments and the filing of its Commission annual reports. Additionally, the Company will remain current on these items during this small company rate increase procedure.

Thank you for your attention to this important matter. Please contact me at your convenience if you need additional information regarding this request.

Sincerely,



Jason Williamson
Owner, Heartland Utilities, LLC
Receiver of: Gladlo Water & Sewer Co.
P.O. Box 200595
Denver, CO 80220
(720)949-1384
heartlandutilities@gmail.com

Copies: Jim Russo – Commission Staff

Gladlo Rate Increase Calculations - Sewer:

Sewer 2015 Revenues (per annual report): \$ 20,179.00
Projected 2016 Revenues: \$ 21,183.00
2015 Expenses (per annual report): \$ (17,179.00)
2016 Expenses (projected): \$ (24,201.00)
Add'l known and measureable expenses (Heartland Mgmt. Fee increase -
\$142/ mo divided equal between water & sewer) \$ (852.00)
Add'l known and measurable expenses (increase in sewer mowing (6 mows/
yr@ \$400 per vs. \$250 per = \$900): \$ (900.00)
Add'l revenue requirement for expenses: \$ (1,761.00)

Existing Plant in Service (12/31/15): \$ 44,933.00
Est. P.I.S. 12/31/16: \$ 51,416.00
Reserve for Depreciation (12/31/15): \$ (31,994.00)
PIS on which to base RORB: \$ 19,422.00

Weighted avg. debt/ equity at 50% (Debt at 7.5%/
ROFVRB: 9.75% Equity at 12%)
annual return amount (Revenue Reqmt for ROFVRB): \$ 1,893.65

Total Additional Revenue Requirement: \$ 3,654.65
Rev. Reqmt. % Increase on projected 2016 revenues: 17.25%

Gladlo Rate Increase Calculations - Water:

Water 2015 Revenues (per annual report): \$ 18,674.49
Projected 2016 Revenues: \$ 19,885.67
2015 Expenses (per annual report): \$ (17,441.00)
2016 Expenses (projected): \$ (19,932.61)
2016 Add'l Depreciation on new equipment replacements: \$ - No significant additions in 2015/ 2016

Believe we should establish a surcharge to pay this off over a period of time.
Suggestion here is 60 mos. At 6% (assuming we can get A1 to agree), which would be a payment of \$290/ mo (or about \$4.14/

Accumulated Trade Debt Payoff \$ (3,480.00) water customer/ mo)
Add'l known and measureable expenses (Heartland Mgmt. Fee increase - \$142/ mo
divided equal between water & sewer) \$ (852.00)
Add'l revenue requirement for expenses: \$ (3,738.73)

Existing Plant in Service (12/31/15): \$ 95,367.00
Est. P.I.S. 12/31/16: \$ 95,367.00
Reserve for Depreciation (12/31/15): \$ (70,874.00)
PIS on which to base RORB: \$ 24,493.00
ROFVRB: 12.0%
annual return amount (Revenue Reqmt for ROFVRB): \$ 2,939.16

Total Additional Revenue Requirement: \$ 6,677.89
Rev. Reqmt. % Increase on projected 2012 revenues: 33.58%