

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

In the Matter of Central Rivers Wastewater	)	
Utility, Inc.'s Small Company Rate Increase	)	<b><u>Case No. SR-2014-0247</u></b>
Request.	)	

**NOTICE OF COMPANY/STAFF AGREEMENT  
REGARDING PARTIAL DISPOSITION OF  
SMALL COMPANY RATE INCREASE REQUEST**

**COMES NOW** the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and on behalf of Central Rivers Wastewater Utility, Inc., ("CRWU" or "the Company"), files this *Notice of Staff/Company Agreement Regarding Partial Disposition of Small Company Rate Increase Request*, stating:

1. On March 11, 2014, Central Rivers Wastewater Utility, Inc. ("Central Rivers"), filed with the Missouri Public Service Commission ("Commission") a letter requesting Commission approval of an increase of \$91,789.57 in its annual sewer system operating revenues pursuant to Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure, an increase of approximately 100%.

2. The Company's request for its sewer operations was assigned Commission Case No. SR-2014-0247. Central Rivers states that the increase is necessary due to increases in utility plant investment, increases in operating and maintenance expenses, increases in the Commission's annual assessment, increases in the annual sewer discharge permit fee paid to the Missouri Department of Natural Resources, and changes in the number and type of Central Rivers' customers.

3. 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 materials related to Staff's investigation, as well as the Staff's initial recommendation for

the resolution of the Request.

4. Subsequent to the Staff's investigation and pursuant to negotiations between Staff and the Company, the Staff and the Company have been able to reach a *Company/Staff Agreement Regarding Partial Disposition of Small Company Revenue Increase Request* ("*Company/Staff Agreement*"), attached hereto as Appendix A, and incorporated by reference herein.

5. Included in Appendix A is a copy of the above-referenced *Company/Staff Agreement* that reflects the Company's agreement to implement Staff's recommendations. It also includes various other attachments related to the *Company/Staff Agreement*, as well as a prescribed schedule of depreciation rates. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

6. The *Company/Staff Agreement* provides for an increase of 31.9% or \$ 34,461 in operating revenues for the sewer system, which, added to the level of previous revenues of \$107,947 results in overall revenues of \$ 142,408.

7. In addition, the *Company/Staff Agreement* provides that the agreed-upon net rate base in the Company's sewer operating system is \$ 110,300.

8. Included in Attachment B is the agreed upon capital structure which includes 61.53 % equity for the Company and a return on that equity of 8.60%.

9. The Staff and Company have agreed that the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language prior to the completion of this case.

10. The Company is current on the filing of its annual report.

11. The Company is current on payment of all of its annual assessments.

12. Staff hereby advises the Commission that certain matters remain for determination after hearing, to-wit: (1) the refunding of previously collected connection fees in excess of the tariffed amount; (2) the amount of the connection fee to be included in the tariff; (3) whether parties other than the Company's affiliated construction company should be allowed to install the STEP and STEG systems; and (4) the contract operations salary amounts allowed in rate case expense.

**WHEREFORE**, the Staff submits this *Notice of Company/Staff Agreement Regarding Partial Disposition of Small Company Rate Increase Request* and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by the Company and Staff and contained herein.

Respectfully submitted,

**/s/ Kevin A. Thompson**

Kevin A. Thompson  
Chief Staff Counsel  
Missouri Bar Number 36288

Missouri Public Service Commission  
Post Office Box 360  
Jefferson City, MO 65102  
(573) 751-6514 (Voice)  
(573) 526-6969 (FAX)  
[Kevin.thompson@psc.mo.gov](mailto:Kevin.thompson@psc.mo.gov)

Attorney for the Staff of the  
Missouri Public Service Commission

### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, **on this 7<sup>th</sup> day of October, 2014.**

**/s/ Kevin A. Thompson**

# APPENDIX A

CASE No. SR-2014-0247

# STAFF/COMPANY PARTIAL DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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## Company/Staff Partial Disposition Agreement

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

**CENTRAL RIVERS WASTEWATER UTILITY, INC.**

**MO PSC FILE NO. SR-2014-0247**

**BACKGROUND**

Central Rivers Wastewater Utility, Inc. ("Central Rivers" or "Company") initiated the small company revenue increase request ("Request") for sewer service, which is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, received by the Commission on March 11, 2014, the Company set forth its request for an increase of \$91,789.57 in its total annual sewer 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 241 residential customers, in seven individual service areas, none of which are connected, located in Clinton, Clay and Ray Counties, 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 \$34,461 (31.9% increase) added to the level of previous revenues of \$107,947 results in overall revenues of \$142,408. 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 was unable to conduct a full and complete audit of the Company's books and records because the Company's owner did not provide the necessary costing information from an affiliate company with common ownership. This information relates to amounts charged the utility operations for the installation and maintenance of equipment installed at the customers' property. Even though Staff was unable to review information critical to the cost of service, Staff was able to develop a revenue requirement based on information pieced together for the 12-month period ended December 31, 2013, updated to March 31, 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 \$110,300. 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 61.53 % equity for the Company and a return on that equity of 8.60%;
- (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 sewer 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) The Company will file with the Commission proposed tariff revisions containing the rates, charges, and language prior to the completion of this case;
- (8) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the

recommendations contained in the Water & Sewer Unit Memorandum, attached hereto as Attachment F 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 implement procedures to notify each Customer, when it appears, during the Company's annual inspections that the Customer's STEP tank is installed at an elevation that may cause a sewage backup in the residence that could be caused by failure within the electric pumping system or the pressurized sewer system. The procedure implemented by the Company must include a provision that notifies the Manager of the Commission's Water & Sewer Unit whenever a Customer is notified;

(9) Within thirty (30) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendation contained in the Auditing Unit Report, attached hereto as Attachment G 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 capitalize the cost of any septic tank effluent pump ("STEP") installations into plant in service and increase Contributions in Aid of Construction "CIAC" by the funds received from customers for STEP installations for all connections performed after March 31, 2014;

(10) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit ("EMSU") Report, attached hereto as Attachment H 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 ensure that customers are given at least 21 days to pay their bill as required in Commission Rule 4 CSR 240-13.020(7);
- (b) The Company will evaluate whether new customers applying for service meet acceptable credit rating criteria before charging security deposits and return deposits with accrued interest to customers when they have established a satisfactory payment history as defined in Commission Rule 4 CSR 240-13.030;
- (c) The Company will prepare a written notice for mailing in accord with Commission Rule 4 CSR 240-13.050 (4 and 5), that will be used to notify customers when scheduling discontinuance of service due to nonpayment;
- (d) The Company will develop and implement a process in compliance with Commission Rule 4 CSR 240-13.040(5) to ensure all customer complaints

received by Company personnel are documented and maintained for at least two (2) years. Documentation shall include the customer's name, address, nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint; and

- (e) The Company will develop and distribute to all future customers and current customers, upon request, written information summarizing the rights and responsibilities of the Company and its customers. This document should comply with Commission Rule 4 CSR 240-13.040(3);

(11) Within ninety (90) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the EMSU 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 EMSU Unit:

- (a) The Company will require the contractor that performs business office and outside operations work activity to develop and utilize time sheets to record the time associated with work assignments;
- (b) The Company will utilize fireproof storage for critical customer records and store backups of electronic customer data at an off-site location; and
- (c) The Company will evaluate and implement actions in compliance with Commission Rule 4 CSR 240-13.050 that may reduce the number of delinquent accounts;

(12) Within ninety (90) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Report attached hereto as Attachment G 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 develop detailed time sheets and travel logs to record work assignments and the actual time and travel needed to complete each utility related work assignment and instruct the affiliated Construction Company, which provides all labor and equipment utilized, on the proper documentation of each work assignment. This reporting should be detailed enough to provide sufficient opportunity to audit this information for accuracy of actual time spent on each activity being performed by the affiliated Construction Company on behalf of Central Rivers and to verify the reasonable and prudent costs charged Central Rivers for those utility services including the labor rates used and equipment and overhead charges. The reporting should provide a break down between expenses and costs that should be capitalized for construction related activities. This information

should be sufficient to support the actual hours spent and hourly rates used to bill Central Rivers for these services.; and

- (b) The Company will correct its books and records to reflect the adjusted plant, depreciation reserve, and contributions in aid of construction balances reflected in Staff Accounting Schedules, Attachment B attached herein;

(13) Within one hundred eighty (180) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Report attached hereto as Attachment G 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 take all necessary steps and examine all options available to the Company to refinance its current 9.75% debt issuance;

(14) Within twenty-four (24) months of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Report attached hereto as Attachment G 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 refund to Customers all outstanding customer deposits inclusive of a 6% interest rate, accumulated at 6% of the deposit per annum using a simple interest method;

(15) The Company shall continue to record the empty lot fees as revenue on the Company's books and the Company and Staff agree that the empty lot fees will be treated as miscellaneous revenue in future rate cases for rate making purposes and will offset the cost of service for the existing sewer systems;

(16) The Company agrees that all new or replacement septic tank effluent pumping (STEP tank) or septic tank effluent gravity (STEG tank) whether installed by the Company, the Customer, or agent of either, shall be installed at an elevation such that any overflow from the tank, in the event of a pump failure or electrical outage or blockage following the tank, will occur at an elevation that is below the elevation of the customer's lowest level floor drain, when possible and would not result in a sewage backup in the customer's building;

(17) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Company/Staff Partial 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 the Staff Case Coordinator who will file a copy in this case;

(18) 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 Partial Disposition Agreement;

(19) 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 Partial Disposition Agreement;

(20) The revenue requirement increase set out in paragraph (1) above, is subject to change based upon updated information being provided to the Staff by the Company with respect to rate case expense, plant in service, contributions in aid of construction and depreciation expense;

(21) In the event this case proceeds to an evidentiary hearing, the Company has a right to present a different position from Staff on any issues that are subject of the evidentiary hearing;

(22) The Company, Staff and Public Counsel agree that they have read the foregoing Company/Staff Partial 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

(23) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel and the Company regarding the Company's Request, except as otherwise specifically stated herein.

### **ITEMS TO BE RESOLVED THROUGH EVIDENTIARY HEARING**

Staff and the Company hereby state that the following items have not been resolved: (1) the refunding of previously collected connection fees in excess of the tariffed amount; (2) the amount of the connection fee to be included in the tariff; and (3) should other parties other than the Company's affiliated construction Company be allowed to install the STEP and STEG systems. Staff and the Company request that these items be addressed through the contested case process provided for in Commission Rule 4 CSR 240.3.050(21). Also, the contract operations salary amounts allowed in rate case expense remain possible for hearing.

### **ADDITIONAL MATTERS**

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

The Company and Staff acknowledge that they have previously agreed to extensions of the normal "Day-150" date by which an agreement regarding the resolution of a small company revenue increase request is to be reached for negotiations between the Company and Staff. Copies of the extension requests can be found in the above-referenced EFIS Case, Item numbers 5 and 7.

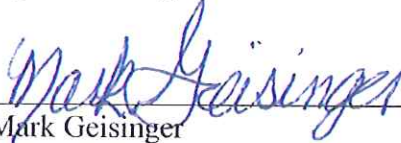
Staff has completed a Summary of Case Events and has included that summary as Attachment I to this Company/Staff Partial Disposition Agreement.


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

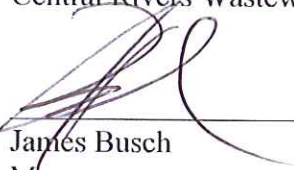
Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Partial Disposition Agreement at any agenda meeting at which this case is noticed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

**SIGNATURES**

Agreement Signed and Dated:

  
\_\_\_\_\_  
Mark Geisinger  
President  
Central Rivers Wastewater Utility, Inc.

  
\_\_\_\_\_  
Date

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

  
\_\_\_\_\_  
Date

**List of Attachments**

- Attachment A – Ratemaking Income Statement
- Attachment B – EMS Run
- Attachment C – Rate Base Worksheet
- Attachment D – Schedule of Depreciation Rates
- Attachment E – Billing Comparison Worksheet
- Attachment F – Water & Sewer Unit Memorandum
- Attachment G – Auditing Unit Recommendation Memorandum
- Attachment H – EMSU Report
- Attachment I – Summary of Events

Agreement Attachment A

Ratemaking Income Statement



# Central Rivers Wastewater Utility, Inc.

## Rate Making Income Statement-Sewer

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 92,544
2	Other Operating Revenues *	\$ 15,403
3	<b>Total Operating Revenues</b>	<b>\$ 107,947</b>
4	* See "Revenues - Current Rates" for Details	

### Cost of Service

Item	Amount
1 Electricity-Pumping	\$ 5,558
2 Sewer Treatment -Testing/Laboratory Fees	\$ 2,272
3 Contractual Services-Legal	\$ 897
4 CSM Mowing	\$ 8,125
5 CSM Maintenance Expense	\$ 22,000
6 CSM Service Calls	\$ 4,500
7 CSM Customer Cleaning	\$ 18,000
8 Supplies-Office	\$ 3,357
9 CSM Plant Monitoring	\$ 14,321
10 CSM Office Expense	\$ 18,100
11 CSM Management Expense	\$ 14,750
12 Miscellaneous General Expenses	\$ 523
13 Telephone & Internet Expense	\$ 643
14 Property & Liability Insurance	\$ 3,657
15 MO DNR Fees	\$ 5,845
16 Regulatory Commission Expense	\$ 831
17 <b>Sub-Total Operating Expenses</b>	<b>\$ 123,379</b>
18 Property Taxes	\$ 158
19 MO Franchise Taxes	\$ -
20 Employer FICA Taxes	\$ -
21 Federal Unemployment Taxes	\$ -
22 State Unemployment Taxes	\$ -
23 State & Federal Income Taxes	\$ 1,453
24 <b>Sub-Total Taxes</b>	<b>\$ 1,611</b>
25 Depreciation Expense	\$ 100,114
26 Amortization of CIAC	\$ (32,187)
27 STEP CIAC Amortization	\$ (60,480)
28 <b>Sub-Total Depreciation/Interest/Amortization</b>	<b>\$ 7,447</b>
29 <b>Return on Rate Base</b>	<b>\$ 9,971</b>
30 <b>Total Cost of Service</b>	<b>\$ 142,408</b>
31 <b>Overall Revenue Increase Needed</b>	<b>\$ 34,461</b>

# Agreement Attachment B

## EMS Run

**Exhibit No.:** \_\_\_\_\_  
**Issue:** Accounting Schedules  
**Witness:** MO PSC Auditors  
**Sponsoring Party:** MO PSC Staff  
**Case No:** SR-2014-0247  
**Date Prepared:** 6/4/2014



**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**UTILITY SERVICES DEPARTMENT**

**STAFF ACCOUNTING SCHEDULES**

**CENTRAL RIVERS WASTEWATER UTILITY, INC**

**CASE NO. SR-2014-0247**

**Jefferson City, Missouri**

**June 2014**

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Revenue Requirement

Line Number	A Description	B 9.04% Return	C 9.04% Return	D 9.04% Return
1	Net Orig Cost Rate Base	\$110,300	\$110,300	\$110,300
2	Rate of Return	9.04%	9.04%	9.04%
3	Net Operating Income Requirement	\$9,971	\$9,971	\$9,971
4	Net Income Available	-\$23,037	-\$23,037	-\$23,037
5	Additional Net Income Required	\$33,008	\$33,008	\$33,008
6	Income Tax Requirement			
7	Required Current Income Tax	\$1,453	\$1,453	\$1,453
8	Current Income Tax Available	\$0	\$0	\$0
9	Additional Current Tax Required	\$1,453	\$1,453	\$1,453
10	Revenue Requirement	\$34,461	\$34,461	\$34,461
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Gross Revenue Requirement	\$34,461	\$34,461	\$34,461

Central Rivers Wastewater Utility, Inc

SR-2014-0247

Test Year Ending 12-31-13

Update Period Ending 3-31-13

RATE BASE SCHEDULE

Line Number	A Rate Base Description	B Percentage Rate	C Dollar Amount
1	Plant In Service		\$2,111,209
2	Less Accumulated Depreciation Reserve		\$765,309
3	Net Plant In Service		\$1,345,900
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	TOTAL ADD TO NET PLANT IN SERVICE		\$0
7	SUBTRACT FROM NET PLANT		
8	Federal Tax Offset	0.0000%	\$0
9	State Tax Offset	0.0000%	\$0
10	City Tax Offset	0.0000%	\$0
11	Interest Expense Offset	0.0000%	\$0
12	Contribution In Aid of Construction		\$889,073
13	Amortization of Contribution in Aid of Construction		-\$345,339
14	Tariffed STEP Installations CIAC		\$1,029,600
15	Non-Tariffed STEP Installations CIAC		\$50,400
16	STEP CIAC Amortization		-\$388,134
17	Customer Deposits		\$0
18	TOTAL SUBTRACT FROM NET PLANT		\$1,235,600
19	Total Rate Base		\$110,300

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjust. Number	E Adjustments	F As Adjusted Plant	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	351.100	Organization - IP	\$10,517	P-2	\$0	\$10,517	100.00%	\$0	\$10,517
3		TOTAL PLANT INTANGIBLE	\$10,517		\$0	\$10,517		\$0	\$10,517
4		COLLECTION PLANT							
5	352.100	Collection Sewers, Force - CP	\$371,934	P-5	\$8,094	\$380,028	100.00%	\$0	\$380,028
6		TOTAL COLLECTION PLANT	\$371,934		\$8,094	\$380,028		\$0	\$380,028
7		SYSTEM PUMPING PLANT							
8		TOTAL SYSTEM PUMPING PLANT	\$0		\$0	\$0		\$0	\$0
9		TREATMENT & DISPOSAL PLANT							
10	373.000	Treatment & Disposal Equipment - TDP	\$650,674	P-10	-\$10,010	\$640,664	100.00%	\$0	\$640,664
11	373.100	STEP System	\$0	P-11	\$1,080,000	\$1,080,000	100.00%	\$0	\$1,080,000
12		TOTAL TREATMENT & DISPOSAL PLANT	\$650,674		\$1,069,990	\$1,720,664		\$0	\$1,720,664
13		GENERAL PLANT							
14		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
15		TOTAL PLANT IN SERVICE	\$1,033,126		\$1,078,084	\$2,111,209		\$0	\$2,111,209

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Adjustments to Plant in Service

A Plant Adj. Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount	F Jurisdictional Adjustments	G Total Jurisdictional Adjustments
P-5	Collection Sewers, Force - CP	352.100		\$8,094		\$0
	1. No Adjustment		\$0		\$0	
	2. To reclassify Fox Run mains recorded as Treatment Plant (Rice)		\$8,094		\$0	
P-10	Treatment & Disposal Equipment - TDP	373.000		-\$10,010		\$0
	1. To reclassify Fox Run mains recorded as Treatment Plant (Rice)		-\$8,094		\$0	
	2. To retire Fox Run treatment facility removed from service (Rice)		-\$4,767		\$0	
	3. To rework the liner & berm at Fox Run treatment facility (Rice)		\$1,530		\$0	
	4. Basket Strainer Basket Addition (Rice)		\$1,155		\$0	
	5. Basket Strainer Basket Retirement (Rice)		-\$982		\$0	
	6. Recirc Pump Addition (Rice)		\$1,820		\$0	
	7. Recirc Pump Retirement (Rice)		-\$1,547		\$0	
	8. Recirc Pump Addition (Rice)		\$1,820		\$0	
	9. Recirc Pump Retirement (Rice)		-\$1,510		\$0	
	10. Recirc Pump Addition (Rice)		\$1,820		\$0	
	11. Basket Strainer Basket Addition (Rice)		\$1,155		\$0	
	12. Recirc Pump Retirement (Rice)		-\$1,474		\$0	
	13. Basket Strainer Basket Retirement (Rice)		-\$936		\$0	
P-11	STEP System	373.100		\$1,080,000		\$0
	1. To include cost of STEP installations (Harris)		\$1,080,000		\$0	
Total Plant Adjustments				\$1,078,084		\$0

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	351.100	Organization - IP	\$10,517	0.00%	\$0
3		TOTAL PLANT INTANGIBLE	\$10,517		\$0
4		COLLECTION PLANT			
5	352.100	Collection Sewers, Force - CP	\$380,028	2.00%	\$7,601
6		TOTAL COLLECTION PLANT	\$380,028		\$7,601
7		SYSTEM PUMPING PLANT			
8		TOTAL SYSTEM PUMPING PLANT	\$0		\$0
9		TREATMENT & DISPOSAL PLANT			
10	373.000	Treatment & Disposal Equipment - TDP	\$640,664	5.00%	\$32,033
11	373.100	STEP Ssystem	\$1,080,000	5.60%	\$60,480
12		TOTAL TREATMENT & DISPOSAL PLANT	\$1,720,664		\$92,513
13		GENERAL PLANT			
14		TOTAL GENERAL PLANT	\$0		\$0
15		Total Depreciation	\$2,111,209		\$100,114



Central Rivers Wastewater Utility, Inc  
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Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjust. Number	E Adjustments	F As Adjusted Reserve	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	351.100	Organization - IP	\$0	R-2	\$0	\$0	100.00%	\$0	\$0
3		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
4		COLLECTION PLANT							
5	352.100	Collection Sewers, Force - CP	\$78,123	R-5	\$5,920	\$84,043	100.00%	\$0	\$84,043
6		TOTAL COLLECTION PLANT	\$78,123		\$5,920	\$84,043		\$0	\$84,043
7		SYSTEM PUMPING PLANT							
8		TOTAL SYSTEM PUMPING PLANT	\$0		\$0	\$0		\$0	\$0
9		TREATMENT & DISPOSAL PLANT							
10	373.000	Treatment & Disposal Equipment - TDP	\$303,524	R-10	-\$10,392	\$293,132	100.00%	\$0	\$293,132
11	373.100	STEP System	\$0	R-11	\$388,134	\$388,134	100.00%	\$0	\$388,134
12		TOTAL TREATMENT & DISPOSAL PLANT	\$303,524		\$377,742	\$681,266		\$0	\$681,266
13		GENERAL PLANT							
14		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
15		TOTAL DEPRECIATION RESERVE	\$381,647		\$383,662	\$765,309		\$0	\$765,309

Central Rivers Wastewater Utility, Inc  
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Adjustments for Depreciation Reserve

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount	F Jurisdictional Adjustments	G Total Jurisdictional Adjustments
R-5	Collection Sewers, Force - CP	352.100		\$5,920		\$0
	1. No Adjustment		\$0		\$0	
	2. To update reserve to account for adjustments to plant (adjustment P-5) (Rice)		\$5,920		\$0	
R-10	Treatment & Disposal Equipment - TDP	373.000		-\$10,392		\$0
	1. To retire Fox Run treatment facility removed from service (Rice)		-\$4,767		\$0	
	2. Basket Strainer Retirement (Rice)		-\$982		\$0	
	3. Recirc Pump Retirement (Rice)		-\$1,547		\$0	
	4. Recirc Pump Retirement (Rice)		-\$1,510		\$0	
	5. Recirc Pump Retirement (Rice)		-\$1,474		\$0	
	6. Basket Strainer Retirement (Rice)		-\$936		\$0	
	7. To update reserve to account for adjustments to plant (adjustment P-10) (Rice)		\$824		\$0	
R-11	STEP System	373.100		\$388,134		\$0
	1. To include depreciation reserve for STEP installations (Harris)		\$388,134		\$0	
Total Reserve Adjustments				<u>\$383,662</u>		<u>\$0</u>

Central Rivers Wastewater Utility, Inc  
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Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Base Payroll	\$0	0.00	0.00	0.00	0.000000	\$0
3	Tax Withholding	\$0	0.00	0.00	0.00	0.000000	\$0
4	Pensions and Employee Benefits	\$0	0.00	0.00	0.00	0.000000	\$0
5	Electric	\$0	0.00	0.00	0.00	0.000000	\$0
6	Telephone	\$0	0.00	0.00	0.00	0.000000	\$0
7	Office Rents	\$0	0.00	0.00	0.00	0.000000	\$0
8	Intercompany Billing	\$0	0.00	0.00	0.00	0.000000	\$0
9	Uncollectible Accounts	\$0	0.00	0.00	0.00	0.000000	\$0
10	PSC Assessment	\$0	0.00	0.00	0.00	0.000000	\$0
11	Expense Allocations	\$0	0.00	0.00	0.00	0.000000	\$0
12	Cash Vouchers	\$123,379	0.00	0.00	0.00	0.000000	\$0
13	TOTAL OPERATION AND MAINT. EXPENSE	\$123,379					\$0
14	TAXES						
15	FICA - Employer Portion	\$0	0.00	0.00	0.00	0.000000	\$0
16	Unemployment	\$0	0.00	0.00	0.00	0.000000	\$0
17	Property Tax	\$0	0.00	0.00	0.00	0.000000	\$0
18	Gross Receipts Tax	\$0	0.00	0.00	0.00	0.000000	\$0
19	Corporate Franchise	\$0	0.00	0.00	0.00	0.000000	\$0
20	Sales Tax	\$0	0.00	0.00	0.00	0.000000	\$0
21	TOTAL TAXES	\$0					\$0
22	CWC REQ'D BEFORE RATE BASE OFFSETS						\$0
23	TAX OFFSET FROM RATE BASE						
24	Federal Tax Offset	\$1,029	0.00	0.00	0.00	0.000000	\$0
25	State Tax Offset	\$423	0.00	0.00	0.00	0.000000	\$0
26	City Tax Offset	\$0	0.00	0.00	0.00	0.000000	\$0
27	Interest Expense Offset	\$4,137	0.00	0.00	0.00	0.000000	\$0
28	TOTAL OFFSET FROM RATE BASE	\$5,589					\$0
29	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Central Rivers Wastewater Utility, Inc  
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Income Statement

Line Number	A Category Description	B Total Test Year	C Test Year Labor	D Test Year Non Labor	E Adjustments	F Total Company Adjusted	G Jurisdictional Adjustments	H MO Final Adj Jurisdictional	I MO Juris. Labor	J MO Juris. Non Labor
1	TOTAL OPERATING REVENUES	\$90,753	See Note (1)	See Note (1)	See Note (1)	\$90,753	\$17,194	\$107,947	See Note (1)	See Note (1)
2	TOTAL COLLECTION OPERATIONS EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	TOTAL COLLECTION MAINT. EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	TOTAL PUMPING OPERATIONS EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	TOTAL PUMPING MAINTENANCE EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	TOTAL TREAT. & DISP. OPER. EXPENSE	-\$10,810	\$0	-\$10,810	\$18,640	\$7,830	\$0	\$7,830	\$0	\$7,830
7	TOTAL TREAT. & DISP. MAINT. EXPENSES	\$54,473	\$0	\$54,473	\$13,370	\$67,843	\$0	\$67,843	\$0	\$67,843
8	TOTAL CUSTOMER ACCOUNTS EXPENSE	\$21,807	\$0	\$21,807	-\$350	\$21,457	\$0	\$21,457	\$0	\$21,457
9	TOTAL ADMIN. & GENERAL EXPENSES	\$34,388	\$0	\$34,388	-\$8,139	\$26,249	\$0	\$26,249	\$0	\$26,249
10	TOTAL DEPRECIATION EXPENSE	\$0	\$0	See Note (1)	See Note (1)	\$0	\$100,114	\$100,114	See Note (1)	See Note (1)
11	TOTAL AMORTIZATION EXPENSE	\$158	\$0	\$158	-\$92,667	-\$92,667	\$0	-\$92,667	\$0	-\$92,667
12	TOTAL OTHER OPERATING EXPENSE	\$100,016	\$0	\$100,016	-\$69,146	\$30,870	\$100,114	\$130,984	\$0	\$158
13	TOTAL OPERATING EXPENSE	-\$9,263	\$0	\$0	\$0	\$59,883	-\$82,920	-\$23,037	\$0	\$0
14	NET INCOME BEFORE TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	See Note (1)	See Note (1)
15	TOTAL INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
16	TOTAL DEFERRED INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
17	NET OPERATING INCOME	-\$9,263	\$0	\$0	\$0	\$59,883	-\$82,920	-\$23,037	\$0	\$0

(1) Labor and Non Labor Detail: not applicable to Revenue & Taxes

Central Rivers Wastewater Utility, Inc  
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Income Statement Detail

Line Number	Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	E Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj. Jurisdictional (H x I) x J	L MO Adj. Juris. Labor	M MO Adj. Juris. Non Labor
Rev-1		OPERATING REVENUES											
Rev-2	521.000	Residential	\$88,790	See note (1)	See note (1)	Rev-2	See note (1)	\$88,790	100.00%	\$17,194	\$105,984	See note (1)	See note (1)
Rev-3	0.000	Commercial	\$0			Rev-3		\$0	100.00%	\$0	\$0		
Rev-4	0.000	Industrial	\$0			Rev-4		\$0	100.00%	\$0	\$0		
Rev-5	526.000	Late Fee Revenue	\$1,963			Rev-5		\$1,963	100.00%	\$0	\$1,963		
Rev-6	0.000	Other Sewer Revenue - Oper. Rev.	\$0			Rev-6		\$0	100.00%	\$0	\$0		
Rev-7		TOTAL OPERATING REVENUES	\$90,753					\$90,753		\$17,194	\$107,947		
1		COLLECTION OPERATIONS EXPENSES											
2		TOTAL COLLECTION OPERATIONS EXPENSES	\$0					\$0		\$0	\$0		
3		COLLECTION MAINT. EXPENSES											
4		TOTAL COLLECTION MAINT. EXPENSES	\$0					\$0		\$0	\$0		
5		PUMPING OPERATIONS EXPENSES											
6		TOTAL PUMPING OPERATIONS EXPENSES	\$0					\$0		\$0	\$0		
7		PUMPING MAINTENANCE EXPENSES											
8		TOTAL PUMPING MAINTENANCE EXPENSES	\$0					\$0		\$0	\$0		
9		TREAT. & DISP. OPER. EXPENSE											
10	626.000	Non-Utility Expense	-\$18,640		-\$18,640	E-10	\$18,640	\$0	100.00%	\$0	\$0	\$0	\$0
11	717.000	Utilities - Purchased Power	\$5,558		\$5,558	E-11	\$0	\$5,558	100.00%	\$0	\$5,558	\$0	\$5,558
12	736.010	Laboratory Services	\$2,272		\$2,272	E-12	\$0	\$2,272	100.00%	\$0	\$2,272	\$0	\$2,272
13		TOTAL TREAT. & DISP. OPER. EXPENSE	-\$10,810		-\$10,810		\$18,640	\$7,830		\$0	\$7,830	\$0	\$7,830
14		TREAT. & DISP. MAINT. EXPENSES											
15	731.000	Contractual Services - Legal	\$2,473		\$2,473	E-15	-\$1,576	\$897	100.00%	\$0	\$897	\$0	\$897
16	736.020	CSM Mowing	\$8,125		\$8,125	E-16	\$0	\$8,125	100.00%	\$0	\$8,125	\$0	\$8,125
17	736.030	CSM Maintenance Expense	\$22,000		\$22,000	E-17	\$0	\$22,000	100.00%	\$0	\$22,000	\$0	\$22,000
18	736.040	CSM Service Calls	\$3,875		\$3,875	E-18	\$625	\$4,500	100.00%	\$0	\$4,500	\$0	\$4,500
19	736.050	CSM Customer Cleaning	\$18,000		\$18,000	E-19	\$0	\$18,000	100.00%	\$0	\$18,000	\$0	\$18,000
20	736.060	CSM Cleaning	\$0		\$0	E-20	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
21	736.070	CSM Plant Monitoring	\$0		\$0	E-21	\$14,321	\$14,321	100.00%	\$0	\$14,321	\$0	\$14,321
22		TOTAL TREAT. & DISP. MAINT. EXPENSES	\$54,473		\$54,473		\$13,370	\$67,843		\$0	\$67,843	\$0	\$67,843
23		CUSTOMER ACCOUNTS EXPENSE											
24	720.000	Supplies - Office	\$3,707		\$3,707	E-24	-\$350	\$3,357	100.00%	\$0	\$3,357	\$0	\$3,357
25	736.080	CSM Office Expense	\$18,100		\$18,100	E-25	\$0	\$18,100	100.00%	\$0	\$18,100	\$0	\$18,100
26		TOTAL CUSTOMER ACCOUNTS EXPENSE	\$21,807		\$21,807		-\$350	\$21,457		\$0	\$21,457	\$0	\$21,457
27		ADMIN. & GENERAL EXPENSES											
28	736.090	CSM Management Expense	\$14,750		\$14,750	E-28	\$0	\$14,750	100.00%	\$0	\$14,750	\$0	\$14,750
29	736.100	Misc Expense	\$1,476		\$1,476	E-29	-\$953	\$523	100.00%	\$0	\$523	\$0	\$523
30	748.000	Telephone & Internet	\$1,315		\$1,315	E-30	-\$672	\$643	100.00%	\$0	\$643	\$0	\$643
31	755.000	Insurance - General Liability	\$3,657		\$3,657	E-31	\$0	\$3,657	100.00%	\$0	\$3,657	\$0	\$3,657
32	648.100	MO DNR Fees	\$5,845		\$5,845	E-32	\$0	\$5,845	100.00%	\$0	\$5,845	\$0	\$5,845
33	648.200	MOPSC Assessment	\$7,345		\$7,345	E-33	-\$6,514	\$831	100.00%	\$0	\$831	\$0	\$831
34		TOTAL ADMIN. & GENERAL EXPENSES	\$34,388		\$34,388		-\$8,139	\$26,249		\$0	\$26,249	\$0	\$26,249

Central Rivers Wastewater Utility, Inc  
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Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	E Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj. Jurisdictional (H x I) + J	L MO Adj. Juris. Labor	M MO Adj. Juris. Non Labor
35		DEPRECIATION EXPENSE											
36	643.000	Depreciation Expense, Dep. Exp.	\$0	See note (1)	See note (1)	E-36	See note (1)	\$0	100.00%	\$100,114	\$100,114	See note (1)	See note (1)
37		TOTAL DEPRECIATION EXPENSE	\$0	\$0	\$0		\$0	\$0		\$100,114	\$100,114	\$0	\$0
38		AMORTIZATION EXPENSE											
39	0.000	Amortization of CIAC	\$0	\$0	\$0	E-39	-\$32,187	-\$32,187	100.00%	\$0	-\$32,187	\$0	-\$32,187
40	0.000	STEP CIAC Amortization	\$0	\$0	\$0	E-40	-\$60,480	-\$60,480	100.00%	\$0	-\$60,480	\$0	-\$60,480
41		TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0		-\$92,667	-\$92,667		\$0	-\$92,667	\$0	-\$92,667
42		OTHER OPERATING EXPENSES											
43	648.300	Property Taxes	\$158	\$0	\$158	E-43	\$0	\$158	100.00%	\$0	\$158	\$0	\$158
44		TOTAL OTHER OPERATING EXPENSE	\$158	\$0	\$158		\$0	\$158		\$0	\$158	\$0	\$158
45		TOTAL OPERATING EXPENSE	\$100,016	\$0	\$100,016		-\$89,146	\$30,870		\$100,114	\$130,984	\$0	\$30,870
46		NET INCOME BEFORE TAXES	-\$9,263					\$59,883		-\$82,920	-\$23,037		
47		INCOME TAXES											
48	0.000	Current Income Taxes	\$0	See note (1)	See note (1)	E-48	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
49		TOTAL INCOME TAXES	\$0	\$0	\$0			\$0		\$0	\$0		
50		DEFERRED INCOME TAXES											
51	0.000	Deferred Income Taxes - Def. Inc. Tax.	\$0	See note (1)	See note (1)	E-51	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
52	0.000	Amortization of Deferred ITC	\$0	\$0	\$0	E-52		\$0		\$0	\$0		
53		TOTAL DEFERRED INCOME TAXES	\$0	\$0	\$0			\$0		\$0	\$0		
54		NET OPERATING INCOME	-\$9,263					\$59,883		-\$82,920	-\$23,037		

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
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Update Period Ending 3-31-13  
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
Rev-2	Residential	521.000	\$0	\$0	\$0	\$0	\$17,194	\$17,194
	1. To Annualize Residential Revenue		\$0	\$0		\$0	\$17,194	
E-10	Non-Utility Expense	626.000	\$0	\$18,640	\$18,640	\$0	\$0	\$0
	1. To remove connection revenues & expenses (Young)		\$0	\$18,640		\$0	\$0	
E-15	Contractual Services - Legal	731.000	\$0	-\$1,576	-\$1,576	\$0	\$0	\$0
	1. To normalize legal expense (Harris)		\$0	-\$1,576		\$0	\$0	
E-18	CSM Service Calls	736.040	\$0	\$625	\$625	\$0	\$0	\$0
	1. To include "CS&M Customers" expense		\$0	\$625		\$0	\$0	
E-21	CSM Plant Monitoring	736.070	\$0	\$14,321	\$14,321	\$0	\$0	\$0
	1. To include proforma Plant Monitoring Expense (Young)		\$0	\$14,321		\$0	\$0	
E-24	Supplies - Office	720.000	\$0	-\$350	-\$350	\$0	\$0	\$0
	1. To remove cost of Intuit software		\$0	-\$350		\$0	\$0	
E-29	Misc Expense	736.100	\$0	-\$953	-\$953	\$0	\$0	\$0
	1. To adjust account to include only expenses for Clay County Sanitary & N-Tech Solutions (Young)		\$0	-\$953		\$0	\$0	
E-30	Telephone & Internet	748.000	\$0	-\$672	-\$672	\$0	\$0	\$0
	1. To remove AT&T expense (Harris)		\$0	-\$547		\$0	\$0	
	2. To remove Verizon Wireless expense (Harris)		\$0	-\$125		\$0	\$0	
E-33	MOPSC Assessment	648.200	\$0	-\$6,514	-\$6,514	\$0	\$0	\$0
	1. To adjust PSC Assessment to last know amount (Young)		\$0	-\$6,514		\$0	\$0	
E-36	Depreciation Expense, Dep. Exp.	643.000	\$0	\$0	\$0	\$0	\$100,114	\$100,114
	1. To Annualize Depreciation Expense		\$0	\$0		\$0	\$100,114	
	2. No Adjustment		\$0	\$0		\$0	\$0	
E-39	Amortization of CIAC		\$0	-\$32,187	-\$32,187	\$0	\$0	\$0
	1. To include amortization of CIAC (Harris)		\$0	-\$32,187		\$0	\$0	
E-40	STEP CIAC Amortization		\$0	-\$60,480	-\$60,480	\$0	\$0	\$0
	1. To include STEP CIAC Amortization (Harris)		\$0	-\$60,480		\$0	\$0	
Total Operating Revenues			\$0	\$0	\$0	\$0	\$17,194	\$17,194

Central Rivers Wastewater Utility, Inc  
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Adjustments to Income Statement Detail

A	B	C	D	E	F	G	H	I
Income			Company	Company	Company	Jurisdictional	Jurisdictional	Jurisdictional
Adj.	Income Adjustment Description	Account	Adjustment	Adjustment	Adjustments	Adjustment	Adjustment	Adjustments
Number		Number	Labor	Non Labor	Total	Labor	Non Labor	Total
	Total Operating & Maint. Expense		\$0	-\$69,146	-\$69,146	\$0	\$100,114	\$100,114



Central Rivers Wastewater Utility, Inc  
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Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 9.04% Return	E 9.04% Return	F 9.04% Return
1	TOTAL NET INCOME BEFORE TAXES		-\$23,037	\$11,423	\$11,423	\$11,423
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$100,114	\$100,114	\$100,114	\$100,114
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$100,114	\$100,114	\$100,114	\$100,114
6	SUBT. FROM NET INC. BEFORE TAXES					
7	Interest Expense calculated at the Rate of	3.7510%	\$4,137	\$4,137	\$4,137	\$4,137
8	Tax Straight-Line Depreciation		\$100,114	\$100,114	\$100,114	\$100,114
9	Excess Tax Depreciation		\$0	\$0	\$0	\$0
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$104,251	\$104,251	\$104,251	\$104,251
11	NET TAXABLE INCOME		-\$27,174	\$7,286	\$7,286	\$7,286
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		\$0	\$7,286	\$7,286	\$7,286
14	Deduct Missouri Income Tax at the Rate of	100.000%	\$0	\$423	\$423	\$423
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		\$0	\$6,863	\$6,863	\$6,863
17	Federal Income Tax at the Rate of	See Tax Table	\$0	\$1,030	\$1,030	\$1,030
18	Subtract Federal Income Tax Credits					
19	Credit - Wind		\$0	\$0	\$0	\$0
20	Credit - Solar		\$0	\$0	\$0	\$0
21	Net Federal Income Tax		\$0	\$1,030	\$1,030	\$1,030
22	PROVISION FOR MO. INCOME TAX					
23	Net Taxable Income - MO. Inc. Tax		\$0	\$7,286	\$7,286	\$7,286
24	Deduct Federal Income Tax at the Rate of	50.000%	\$0	\$515	\$515	\$515
25	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
26	Missouri Taxable Income - MO. Inc. Tax		\$0	\$6,771	\$6,771	\$6,771
27	Missouri Income Tax at the Rate of	6.250%	\$0	\$423	\$423	\$423
28	PROVISION FOR CITY INCOME TAX					
29	Net Taxable Income - City Inc. Tax		\$0	\$7,286	\$7,286	\$7,286
30	Deduct Federal Income Tax - City Inc. Tax		\$0	\$1,030	\$1,030	\$1,030
31	Deduct Missouri Income Tax - City Inc. Tax		\$0	\$423	\$423	\$423
32	City Taxable Income		\$0	\$5,833	\$5,833	\$5,833
33	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
34	SUMMARY OF CURRENT INCOME TAX					
35	Federal Income Tax		\$0	\$1,030	\$1,030	\$1,030
36	State Income Tax		\$0	\$423	\$423	\$423
37	City Income Tax		\$0	\$0	\$0	\$0
38	TOTAL SUMMARY OF CURRENT INCOME TAX		\$0	\$1,453	\$1,453	\$1,453
39	DEFERRED INCOME TAXES					
40	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0
41	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
42	TOTAL DEFERRED INCOME TAXES		\$0	\$0	\$0	\$0
43	TOTAL INCOME TAX		\$0	\$1,453	\$1,453	\$1,453

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 9.04% Return	E 9.04% Return	F 9.04% Return
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Federal Tax Table					
Federal Income Taxes			\$0	\$6,863	\$6,863
15% on first \$50,000			\$0	\$1,029	\$1,029
25% on next \$25,000			\$0	\$0	\$0
34% > \$75,000 < \$100,001			\$0	\$0	\$0
39% > \$100,000 < \$335,001			\$0	\$0	\$0
34% > \$335,000 < \$10,000,001			\$0	\$0	\$0
35% > \$10MM < \$15,000,001			\$0	\$0	\$0
38% > \$15MM < \$18,333,334			\$0	\$0	\$0
35% > \$18,333,333			\$0	\$0	\$0
<b>Total Federal Income Taxes</b>			<b>\$0</b>	<b>\$1,029</b>	<b>\$1,029</b>

Central Rivers Wastewater Utility, Inc  
SR-2014-0247  
Test Year Ending 12-31-13  
Update Period Ending 3-31-13  
Capital Structure Schedule

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital 8.60%	F Weighted Cost of Capital 8.60%	G Weighted Cost of Capital 8.60%
1	Common Stock	\$58,819	61.53%		5.289%	5.289%	5.289%
2	Other Security Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
4	Long Term Debt	\$36,782	38.47%	9.75%	3.751%	3.751%	3.751%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
6	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$95,601	100.00%		9.040%	9.040%	9.040%
8	PreTax Cost of Capital				0.000%	0.000%	0.000%

# Agreement Attachment C

## Rate Base Worksheet

Central Rivers Wastewater Utility, Inc  
 SR-2014-0247  
 Test Year Ending 12-31-13  
 Update Period Ending 3-31-13  
**RATE BASE SCHEDULE**

Line Number	Rate Base Description	Percentage Rate	Dollar Amount
1	Plant In Service		\$2,111,209
2	Less Accumulated Depreciation Reserve		\$765,309
3	Net Plant In Service		\$1,345,900
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	TOTAL ADD TO NET PLANT IN SERVICE		\$0
7	SUBTRACT FROM NET PLANT		
8	Federal Tax Offset	0.0000%	\$0
9	State Tax Offset	0.0000%	\$0
10	City Tax Offset	0.0000%	\$0
11	Interest Expense Offset	0.0000%	\$0
12	Contribution In Aid of Construction		\$889,073
13	Amortization of Contribution in Aid of Construction		-\$345,339
14	Tariffed STEP Installations CIAC		\$1,029,600
15	Non-Tariffed STEP Installations CIAC		\$50,400
16	STEP CIAC Amortization		-\$388,134
17	Customer Deposits		\$0
18	TOTAL SUBTRACT FROM NET PLANT		\$1,235,600
19	Total Rate Base		\$110,300

## Agreement Attachment D

### Schedule of Depreciation Rates

**Central Rivers Wastewater Utility, Inc**  
**SCHEDULE of DEPRECIATION RATES**  
**(SEWER Class C & D)**  
**SR-2014-0247**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>
<b>COLLECTION PLANT</b>			
311	Structures & Improvements	4.0%	27.5
352.1	Collection Sewers (Force)	2.0%	50
352.2	Collection Sewers (Gravity)	2.0%	50
354	Services	2.0%	50
355	Flow Measurement Devices	3.3%	30
<b>PUMPING PLANT</b>			
362	Receiving Wells	4.0%	26
363	Electric Pumping Equipment	10.0%	10
<b>TREATMENT &amp; DISPOSAL PLANT</b>			
373	Treatment & Disposal Facilities	5.0%	22
373.1	STEP Systems (Customer Owned)	5.6%	18
<b>GENERAL PLANT</b>			
391	Office Furniture & Equipment	5.0%	20
391.1	Office Electronic & Computer Equip.	14.3%	7
392	Transportation Equipment	13.0%	7
393	Other General Equipment (tools, shop equip., backhoes, trenchers, etc.)	10.0%	8.7

Depreciation Rate % = (100 % - Net Salvage %) / Average Service Life  
The retirement rate equals the inverse of the average service life.

Reviewed, 6/6/2014. 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

Agreement Attachment E

Billing Comparison Worksheet



# Central Rivers Wastewater Utility, Inc.

## Residential Customer Bill Comparison-Sewer

### Rates for Residential Customer

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
<b>\$32.00</b>	<b>\$43.92</b>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Customer Charge	\$ 32.00
Total Bill	\$ 32.00

#### Proposed Rates

Customer Charge	\$ 43.92
Total Bill	\$ 43.92

#### INCREASES

<u>Total Bill</u>	
<b>\$ Increase</b>	<b>\$11.92</b>
<b>% Increase</b>	<b>37.24%</b>

## Agreement Attachment F

### Water & Sewer Unit Memorandum

**REPORT OF WATER AND SEWER UNIT**  
**FIELD OPERATIONS AND TARIFF REVIEW**

**File No. SR-2014-0247**  
**Central Rivers Wastewater Utility, Inc.**

**Introduction**

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

Central Rivers Wastewater Utility, Inc. (Company or Central Rivers) holds a certificate of public convenience and necessity (CCN) granted by the Missouri Public Service Commission (the Commission), under which the Company provides sewer utility services in several separate service areas. The Commission granted the CCN for sewer service in Case Nos. SA-98-530, SA-2000-248, SA-2000-105, SA-2001-304, SA-2004-0470, SA-2005-0302, and SA-2014-0005. The Company's sewer tariff originally went into effect in 1999 in the context of its first CCN case, and is still in effect at present, with some modifications mainly incorporating additional service areas approved by the Commission over the years. This is the Company's first rate request since rates were originally approved in the initial CCN case.

The Company provides sewer service to 241 sewer customers in 7 separate subdivisions located primarily northeast of the Kansas City metropolitan area. On March 11, 2014, the Company filed a request for a 100% increase in sewer rates.

**Wastewater Systems**

Central Rivers has seven separate service areas and sewer systems. One area consists of two residential subdivisions, and the rest consist of a single subdivision, as follows:

Berkshire Glen – Kearney, MO, Clay County — 30 customers

Country Hill Estates – Cameron, MO, Clinton County — 9 customers

Countryside Meadows – Richmond, MO, Ray County — 7 customers

Fox Run – Kearney, MO, Clay County — 40 customers

Bar-B Acres/Park Estates – Kearney, MO, Clay County — 46 customers

Private Gardens – Kearney, MO, Clay County — 45 customers

Wilmar – Liberty, MO, Clay County — 64 customers

Each sewer system utilizes a recirculating sand filter treatment facility (RSF). The RSFs are of adequate capacity, based on Staff's calculation for the present amount of customers within these respective subdivisions and DNR permit requirements. However, like most other sewage treatment facilities, the Company's facilities are subject to recent environmental regulations that, in coming years, will further limit ammonia in treatment facility effluent. The Company will need to consider upgrades to some or all of its treatment facilities in the coming years in order to meet the new limits. The Company's collection system for all seven systems consists of a total of approximately 50,000 feet of pressure collecting sewers, along with each customer utilizing a "septic tank effluent pump" (STEP) unit. The STEP unit is a self-contained pump unit, owned by the customer, consisting of a tank which allows partial treatment of the sewage and retains solids, and an electric pump that pumps the partially treated wastewater to the collecting sewers under pressure. There is one exception, however. A portion of the Bar-B Acres/Park Estates service area utilizes conventional gravity collecting sewers along with a central septic tank and a lift station that pumps effluent from the septic tank to the treatment facility.

Staff and Company personnel observed each sewer system during a field visit.

All of the RSF treatment facilities use the same basic technology and configuration. First, a recirculation tank receives effluent from the septic tanks. Second, pumps in the recirculation tank send water to the filter bed units which actually utilize a sand media. After passing through the filter system, some of the water is discharged to the receiving stream and some is returned to the recirculation tank to be sent again (recirculated) through the filter.

The sizing of the recirculation tank, the filter bed dimensions, and pumping volume (plant capacity) is determined by the number of homes expected to be served in the particular service area. Over a period of several years, the filter media at each facility needs to be replaced, which the Company has accomplished on some of its facilities. Routine maintenance includes site visits several times per week for checks of the pumps for proper operation, and the condition and operability of piping and miscellaneous components at each system, with electrical, mechanical or structural repairs accomplished as necessary. Grounds maintenance consists primarily of grass mowing during the growing season but also includes fence and driveway maintenance. Additionally, the Company is obligated by the terms of its tariffs to provide maintenance and checks of the customers' STEP units located at each customer's premises. (Merciel, Hummel, Archer)

#### Pressure Collecting Sewers and Pump Units

The Company undertakes most of its on-going routine operation and maintenance through contract work, however, the Company remains the entity that is responsible for operations and providing service to its customers.

Staff discussed two issues with the Company, having better communication with the Company's customers and STEP tank installations. Both were observed during Staff's field investigation of the Company's systems and after receiving customers' comments filed in this rate case. Staff contacted customers by phone and/or in person at their residence to address primarily two customer concerns.

First, customers would appreciate better communication from the Company when maintenance and repairs are undertaken at their residence on their STEP units. Currently, inspection and maintenance of the units is done at least annually. Staff suggests that the Company place the date the STEP unit was checked, on the control box, which is outside the home. In addition, the Company should give a courtesy notice to the customer, with an approximate time, with-in a two week period that their STEP unit will be checked. This could be a note on a customer's bill immediately preceding the inspection. The Company has verbally agreed that this would be a good improvement in communicating with the customers.

Second, there are apparently some STEP units which if surcharged (i.e. the STEP tank being filled to or beyond capacity), either by a failure within the electric pumping system or the pressurized sewer system, could result in a sewage backup in the residence. That is, the water relief point on the tank is at higher elevation than the basement floor. This can be due to landscaping that was done by the homeowner. The Company should notify the customer if this appears to be the case, so that the customer is aware of the problem and has an opportunity to take appropriate precaution, or makes necessary corrections. In addition, the Company shall follow the effective tariff language involving the distance from the residence to the tank in future installations by the Company or the customer. (Merciel, Hummel, Archer)

## **Tariff Review**

Central Rivers' current sewer tariff became effective August 30, 1999. Staff's review of the existing tariff noted numerous updates to the original tariff, primarily to include additional service areas after the various CCN cases.

Staff's review also included examination of 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 \$6.50 of the delinquent amount to \$6.50 or 3% whichever is greater, allowing the Company to recover from the customer the costs related to maintaining and collecting delinquent bills. Staff is recommending the connection charge be changed from \$4,800 to actual cost, including record keeping requiring accurate documentation of the actual costs. This change will allow the Company to collect the actual cost of connection and eliminate the possibility of the Company not collecting the actual cost of installation which would result in Company investment in property owned by the customer. Finally, much of the language in the rules is being modified for better clarity and consistency throughout the document. Staff discussed the

existing and proposed tariffs with the Company and received input from the Company for the proposed new tariffs.

Staff is proposing that the Company request canceling the existing PSC MO No. 1 tariff and replace it with PSC MO No. 2. (Russo)

### **Rate Design**

Staff reviewed the current rate design and is recommending to maintain the current rate design, which is a single, monthly flat charge. Staff's decision to continue the existing rate design is based on the facts that the systems are in close proximity to each other, similar in nature (RSF plants), and each system has relatively few customers. (Russo)

### **WATER AND SEWER UNIT STAFF RECOMMENDATIONS:**

- 1) The Commission cancels the existing PSC MO No. 1 sewer tariff and replaces the sewer tariff with PSC MO No. 2.
- 2) The Commission approves Staff's rate design.
- 3) Order the Company to implement procedures to notify each Customer when it appears during the Company's annual inspections that the Customer's STEP tank is installed at an elevation that may cause a sewage backup in the residence. The procedure implanted by the Company must include a provision that notifies the Commission's Water & Sewer Unit whenever a Customer is notified. A copy of the procedure needs to be provided the Manager of the Commission's Water & Sewer Unit within 30 days of the effective date of the Commission's Order.

## Agreement Attachment G

### Auditing Unit Recommendation Memorandum

***AUDITING, DEPRECIATION and FINANCIAL ANALYSIS UNITS' RECOMMENDATION  
MEMORANDUM***

**FROM:** William Harris and Matthew Young, Staff, Auditing Unit

**THROUGH:** Cary Featherstone, Co-Case Coordinator, Auditing Unit

**TO:** Jim Russo, Case Coordinator, Water and Sewer Unit

**CC:** Kevin Thompson, Lead Attorney, Staff Counsel

**SUBJECT:** Auditing, Depreciation and Financial Analysis Units' Findings and the Recommended Cost of Service for Central Rivers Wastewater Utility, Inc. in File No. SR-2014-0247

**DATE:** June 04, 2014

**EXECUTIVE SUMMARY**

In response to Central Rivers Wastewater, Inc.'s ("Central Rivers" or "Company") March 11, 2014 request for a rate increase, the Auditing Unit Staff of the Missouri Public Service Commission (Staff) conducted an audit of the Company using a 12-month test year ended December 31, 2013 and updated through the known and measurable period ended March 31, 2014. As further explained throughout this memorandum, Staff is recommending an increase of \$34,461, or 31.9% increase to the Company's existing annual sewer system operating revenues.

**PROCEDURAL BACKGROUND**

On March 11, 2014, Central Rivers filed a letter with the Secretary of the Missouri Public Service Commission (Commission) in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure (Small Company Procedure), requesting a rate increase of \$91,790, or approximately 100% increase over its existing annual sewer service operating revenues. In its request letter, the Company acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Staff's review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides sewer service to approximately 241 customers in seven certificated service areas, all of which are residential customers. None of the seven service areas are connected to one another, all being separately operated and maintained.



Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, the Staff initiated a rate 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. (Hereafter, these activities are collectively referred to as the Staff's "investigation" of the Company's Request.)

### **BACKGROUND OF CENTRAL RIVERS**

Central Rivers was incorporated in December 1997. The Commission granted the Company a CCN to provide sewer service in Case No. SA-98-530 on May 25, 1999. Central Rivers added additional service areas (subdivisions) with the approval of the Commission in subsequent cases.<sup>1</sup> This is the Company's first rate filing since it was incorporated in 1999. Central Rivers' current approved service areas, locations, and approximate customer counts, are as follows:

Subdivision	County	Number of Customers
Countryside Meadows	Ray	7
Fox Run	Clay	40
Wilmar Estates	Clay	64
Park Estates (Barr-B Acres)	Clay	46
Private Gardens	Clay	45
Berkshire Glen	Clay	30
Country Hill Estates	Clinton	9
Total customers in seven certificated service areas:		241

Central Rivers does not have any employees and therefore cannot meet the operational and managerial needs necessary to own a sewer company. To operate and maintain Central Rivers, the Company has retained an outside contractor to perform all of the required operational and administrative duties. The contractor chosen to perform these duties (including but not limited to maintenance, construction, management, billing, and customer service) is Construction Services and Management ("Construction Company"). The Construction Company and Central Rivers are owned and operated by the same individual, making the two companies affiliated. Additionally, employees of the Construction Company spend a substantial amount of time performing services for Central Rivers. Currently, there is a contract in place between Central Rivers and Construction Services & Management defining what expenses the utility incurs for each type of service

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<sup>1</sup> Central Rivers' additional service areas were granted in case numbers SA-2000-105, SA-2000-248, SA-2001-304, SA-2004-0470, SA-2005-0302 and SA-2014-0005.

provided. Staff reviewed this contract during its analysis of Central Rivers' operations. The contract is addressed in more detail in the Expenses section of this memorandum.

### **CAPITAL STRUCTURE**

The Company's capital structure consists of 38.47 percent (38.47%) debt and 61.53 percent (61.53%) equity. Staff witness Shana Atkinson, of the Commission's Financial Analysis Unit, calculated a return on equity of 8.60 percent (8.60%) and a total overall rate of return of 9.04 percent (9.04%) for Central Rivers.

### **RATE BASE**

Central Rivers' sewer treatment facilities utilize recirculating sand filters to process wastewater. This type of treatment facility also requires the use of septic tanks located on each customer's premises, along with the use of an electric effluent pump located in each septic tank, called a septic tank effluent pump (STEP). With respect to each of the seven individual service areas, each of the individual tanks on the residential locations are connected to the collection system through small-diameter pipelines, pressurized by customers' STEP units.

Central Rivers' current tariff allows for a charge from \$4,500 to \$4,800 (depending on the size of the unit) for each STEP system installed and connected to the central collection system. As discussed in the Tariff Issues section of this memorandum, Central Rivers has charged connection fees in excess of the tariffed rates without Commission approval for many installations and connections of a customer's STEP units. Staff is proposing that the total costs of the installations be capitalized in Plant in Service and offset by Contributions in aid of Construction.

**Central Rivers Wastewater, Inc. Rate Case No. SR-2014-0247**

**Rate Base**

Plant in Service	\$1,031,208	
Add: STEP Installations to Collection Plant	\$1,080,000	
<b>Adjusted Plant in Service</b>		<b>\$2,111,209</b>
Less: Depreciation Reserve	\$377,175	
Less: Depreciation Reserve on STEP Installations	\$388,134	
<b>Less: Adjusted Depreciation Reserve</b>		<b>\$765,309</b>
<b>Net Plant (Add to Rate Base)</b>		<b><u>\$1,345,900</u></b>
Contributions in Aid of Construction (CIAC)	\$889,073	
Add: Tariff-approved STEP installation amounts to CIAC	\$1,029,600	
Add: Over-collected (non-tariffed) STEP amounts to CIAC	\$50,400	
<b>Adjusted Contributions in Aid of Construction (CIAC)</b>		<b>\$1,969,073</b>
Less: CIAC Depreciation Offset	\$345,339	
Less: CIAC Depreciation Offset on STEP Installations	\$388,134	
<b>Less: Adjusted CIAC Depreciation Offset</b>		<b>\$733,473</b>
<b>Net CIAC (Subtract from Rate Base)</b>		<b><u>\$(1,235,600)</u></b>
<b>Net Plant less CIAC</b>		<b>\$110,300</b>
Subtract from Rate Base: Customer Deposits		\$0
<b>Central Rivers Wastewater, Inc. Rate Base</b>		<b>\$110,300</b>

**Source: Attachment B-- Exhibit Modeling System—Accounting Schedule 2**

## **Plant in Service and Contributions in Aid of Construction (CIAC)**

CIAC is capital contributed by outside entities (generally real estate developers which utility customers ultimately pay through the purchase of lots and houses). Since CIAC is not an investment by Central Rivers, Staff has treated it as an offset to net plant in service. Since the Company does not have invested dollars for CIAC, the offset for CIAC ensures the utility does not earn a return on the balance of these amounts.

## **Depreciation and Depreciation Rate Overview.**

Central Rivers is currently using depreciation rates approved by the Commission in Case No. SA-98-530, Central Rivers' original CCN case. In this case, Engineering Management and Services Unit (EMSU) Staff expert Arthur Rice recommended depreciation rates for Central Rivers' sewer operations as shown in Attachment D (see attached file). The rule followed by Staff as a basis for applying depreciation to Central Rivers plant accounts are 4 CSR 240-61.020 which specifies the use of the USOA issued by the NARUC in 1976 for sewer utilities.

For Central Rivers, the basis for Staff's recommended depreciation rates are the Staff's standard depreciation rates schedules for small sewer companies. Staff's standard depreciation schedules were created decades ago by engineering experts in the Commission Staff Water and Sewer Unit. Depreciation rates from depreciation studies of large water and sewer companies in St. Louis, Kansas City, and St. Joseph areas were used as a basis and were subsequently modified over years of observations by Staff experienced in the operation and maintenance of small water and sewer companies. Periodic reviews of these schedules are conducted by engineering experts from the Engineering and Management Services Unit and the Water and Sewer Unit. The most recent review was conducted in March of 2013, with an emphasis on the net salvage component of the standard depreciation rates for each class of small water and sewer companies.

The general USOA definition of depreciation is:

The loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public.

This broad definition does not provide guidance as to the practice of computing a regulatory depreciation rate and applying depreciation expense as a component of customer rates. The basic formula for Missouri regulatory depreciation utilized by staff was defined by the Commission in a Report and Order issued March 10, 2005, for Empire District Electric Company in rate case No. ER-2004-0570. The Commission-defined depreciation rate equation and component definitions are consistent with the USOA definitions and are represented as follows:

$$\text{Depreciation Expense} = (\text{Depreciation Rate}) * (\text{Total Original Cost of Plant in Service})$$

$$\text{Depreciation Rate \%} = \frac{100 - (\text{Net Salvage \%})}{\text{ASL}} = \frac{100}{\text{ASL}} - \frac{\text{Net Salvage \%}}{\text{ASL}}$$

The average service life (ASL) is the average number of years the dollars in a specific account are expected to remain in service. ASL is determined using past plant retirement history from the utility in question if sufficient history is available from that utility. If sufficient plant retirement history is unavailable, staff reviews and considers the retirement histories of utilities with similar operations. Net salvage (also referred to as Salvage Value) is gross salvage minus the cost of removal. Cost of removal is the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidentals thereto. Net salvage is also determined using past retirement history from the utility in question if sufficient history is available from that utility, or if that history is unavailable, from the retirement histories of utilities with similar operations. Net salvage percentage is computed as follows:

$$\text{Net Salvage} = \text{gross salvage} - \text{cost of removal}$$

$$\text{Salvage \%} = \frac{\text{Net Salvage \$}}{\text{Retirement \$}} * 100$$

Gross salvage and cost of removal information is collected whenever plant and equipment is retired. This includes interim net salvage where equipment is replaced in an ongoing “living” utility system or terminal net salvage when an entire facility is removed from service and disposed of.

Under the above traditional depreciation rate equation, the depreciation rate is applied to the total plant account’s original cost. Net salvage is thus applied to the total plant in service in a straight line method over the expected life of the dollars in service. If the expected cost of removal exceeds the expected gross salvage, (producing a negative net salvage), the amount that should be in the accumulated reserves at the end of the ASL

will be greater than the original cost. Example: If net salvage is a negative 10%, then at the end of the average service life, the accumulated reserves should exceed the original cost by 10%. And yes, as the physical equipment approaches its average expected service life for an account, that account will contribute a negative rate base component to the computation of customer rates. It is in this manner that customers are compensated for accrued depreciation expense funds being held by the company for future use.

## **REVENUES**

Staff annualized revenues based on the three types of income the Company is collecting: 1) the current fixed charge of \$32.00 billed each month to the update period customer count of 241, 2) an “empty lot fee” of a fixed \$20.00 per month billed to 56 empty lot owners and 3) Staff included the test year balance of late-fee revenues. A discussion of the empty lot fees is included in the Tariff Issues section of this memorandum.

An analysis of the Company’s historical customer growth rate suggests that the current certificated subdivisions serviced by Central Rivers will approach full capacity in approximately eight years.

## **EXPENSES**

Staff reviewed the level of expenses by account for Central Rivers for calendar year 2013 updated through March 31, 2014. Each account was individually normalized or annualized and Staff made adjustments to include the most appropriate level of expenses for the revenue requirement calculation. Attached as Appendix A to this Memorandum is a table that identifies the adjustments made to the expenses, by account, that are reflected in the revenue requirement calculation that Staff is including in this case.

### **Expenses for Construction Services and Management Contractual Services**

Central Rivers relies on a commonly owned affiliated company, Construction Services and Management to meet all utility functions for the operational, clerical, and managerial requirements of operating a regulated sewer company. The utility has a contractual agreement with the affiliated Construction Company to provide nine (9) individual services at specified rates for the different jobs performed. The contract itemizes the services as follows:

Item	Activity	Cost Per Period	Annualized Cost
1.	Customer Service Calls	\$150 for 1st hour. Then \$60/hour	\$3,875 <sup>2</sup>
2.	Monthly Maintenance of Sewer Treatment Plants	\$1,650 per month	\$19,800
3.	Annual Inspection and Cleaning of Customer Collection Plant	\$120 per customer	\$28,920
4.	Monthly Mowing of Treatment Plant Property	\$300 per plant per month (7 months)	\$14,700
5.	Monthly Clerical Duties	\$1,625 per month	\$19,500
6.	Monthly Management	\$900 per month	\$10,800
7.	Installation of Collection Plant for New Customers	\$6,000 per install	\$60,000 <sup>3</sup>
8.	Daily Monitoring of Two Treatment Plants	\$1,920 per month	\$23,040
9.	Quarterly Cleaning of Treatment Plants	\$1,260 per quarter	\$5,040
	<b>Total</b>		<b>\$185,675</b>

After a review of the Company's test year expenses, Staff found the amount of monies paid to the Construction Company amounted to approximately 80% of the utility's total annual expenses. This information, along with the fact that the utility and the Construction Company are owned by the same individual, indicated that a detailed audit of the contract was appropriate.

To begin considering the prudence of the charges listed in the contract, Staff conducted interviews with Company management to gain a thorough understanding of what was entailed in each service performed. As a result of the discussions and data requests, Staff found that the charges were calculated by the Construction Company based on an hourly rate of \$75 per hour for managerial services, \$60 per hour for fieldwork, and \$35 dollars per hour for clerical duties. These hourly rates include labor, labor related costs and overheads costs for such things as equipment costs and maintenance, office rents, utilities, etc. Staff also found that the number of

<sup>2</sup> Test Year Number

<sup>3</sup> Based on a normalized 10 installations per year, Staff capitalized (included) installations in its plant in service balances and included installations as a CIAC offset in the calculation of rate base.

hours used to calculate the charges were estimates since the Construction Company did not keep records such as timecards or logs to detail the amount of time actually spent on operating Central Rivers under this affiliated contract arrangement. Therefore, the actual amount of hours spent performing services for the utility cannot be substantiated. Since Staff could not directly verify the numbers of hours needed to perform the required duties, an indirect approach was used to compare the costs of the services listed in the contract with the Construction Company with market-based amounts for the same services in an attempt to evaluate if the contract is representative of an arms-length transaction.

Staff conducted discussions with Company management in an effort to understand what components were covered by the hourly rates identified in the contract. Staff inquired of the Company what operational functions the Construction Company provided to Central Rivers under the contract. This agreement identified several categories of services Central Rivers needed to provide safe and reliable sewer service to its customers. Each of the hourly rates identified for each category of service are designed to cover the costs of the Construction Company's payroll expense as well as the cost of the overhead incurred. In the case of the Construction Company, overhead costs include but are not limited to a) office rent and equipment, 2) transportation costs, equipment, and parts necessary to conduct field work, 3) Payroll taxes and benefits and, 4) depreciation and maintenance expense on equipment utilized to maintain the property of Central Rivers and, 5) a profit for the owner of the Construction Company. Staff performed three comparisons to form a recommendation on the prudence of the hourly rates charged by the Construction Company.

First, Staff examined the contractual rates the Construction Company has charged to non-Central Rivers affiliated parties. Staff found that the rates charged to non-affiliated entities under negotiated arms-length transactions are equivalent, and in some cases slightly higher, than the rates the Construction Company is currently charging its regulated affiliate Central Rivers. This comparison addressed the concern that the contract between the Construction Company and Central Rivers could be potentially detrimental to the utility company and its customers and beneficial to the Construction Company. Had Central Rivers had to pay the Construction Company more for the same services compared to what non-affiliated companies had to pay then there would have been a potential subsidization of the affiliated Construction Company at the expense of Central Rivers' utility customers.

The second analysis performed by Staff was to obtain information from 14 other active Missouri sewer companies to compare the level of expenses at comparable utilities to those expenses incurred by Central Rivers through the affiliated contract. Staff compiled the expenses paid such as plant maintenance, payroll, payroll



taxes, transportation expense, etc. by other sewer companies. These expenses were identified as the type of expense encompassed in the hourly rates used to produce the contract in effect for Central Rivers. Staff then ranked Central Rivers out of all 15 companies on a scale of most expensive to least expensive. The results are attached as Appendix B of this memorandum and summarized on the following table:

	Overhead Expense per Customer	Overhead per Dollar of Plant	Ratio of Overhead to Total Expenses
Central Rivers' Rank	2	11	3

While the analysis indicates that Central Rivers is on the more expensive end of the spectrum in 2 of 3 comparisons, Staff is cognizant of the fact that Central Rivers operates treatment plants at seven different locations and approximately 55 miles of driving is required to travel one-way between the two facilities that are farthest from each other. None of Central Rivers' sewer systems are interconnected, operating as independent systems. As such, Central Rivers seven individual sewer systems are small and do not allow any significant economies to construct, operate and maintain these independent systems. The geographical spread of Central Rivers' facilities is an unusual circumstance compared to other sewer utilities, which in most cases have a single treatment facility. Central Rivers faces the challenge of maintaining facilities located far apart which supports the argument that the overhead costs incurred by the Construction Company will be elevated compared to other utilities.

Finally, in attempt to determine the appropriateness of costs charged to Central Rivers by the affiliated Construction Company, Staff requested specific actual cost information from this affiliate. However, Central Rivers responded that the utility does not have access to the books and records of the Construction Company. One request for information issued by Staff for Construction Services and Management was for the total dollar amount of all expenses and total payroll expenses incurred in 2013. Had Staff been able to obtain those totals, it could have taken the total expenses divided by the payroll expenses to calculate an overhead markup factor (OHM) based on actual expenses. This factor represents the amount a company needs to include in their hourly rates charged to customers to recoup the cost of payroll and any other payroll related overhead costs as well as any other costs that is incurred by the Construction Company such as office rent costs, equipment costs, insurance or any other costs necessary to provide the services under the contract with this affiliated company. For example, if the affiliated company incurred a total annual expense of \$100 and payroll costs consisted of \$60, the overhead markup factor would equal 1.67 ( $\$100/\$60$ ). After the OHM is calculated, rates can be set for individual company employees based on their hourly pay rate. For instance, an employee earning \$2 per hour would charge a customer \$3.34 per hour ( $\$2 * 1.67$ ). The charge theoretically produces revenues

sufficient to cover the cost of the employee's payroll, payroll related costs as well as the company's other overhead costs.

Staff has obtained and examined information regarding labor costs that are representative of fair market value. These wages were found on the Missouri Economic Research and Information Center (MERIC) website. MERIC is a research division of the Missouri Department of Economic Development that provides labor market information and is commonly used by Staff in water and sewer rate cases to compare wage rates for various utility services to operate these systems. This information is produced by research done in cooperation with the Missouri Department of Labor and the website provides average Missouri labor rates by areas of the state for various job classifications. Staff searched the database to find the Kansas City region's market value pay rates for three types of employees; 1) Manager, 2) Billing and Posting Clerk and, 3) Water and Wastewater Treatment Plant and System Operator.

If Central Rivers had been able to supply the data from the affiliated Construction Company, Staff could have applied the calculated 2013 overhead markup factor, derived from the actual expenses incurred by the Construction Company as described above, to the aforementioned MERIC fair market value wage rate. Staff also could have used the Construction Company's actual OHM to calculate a rate that is inclusive of actual overhead costs and based on fair market value payroll expense. Staff then would have compared the fair market value rate to the hourly rates used in the formulation of the contract between Central Rivers and the Construction Company. This comparison would have indicated if the level of expenses defined in the existing contract exceed what the level of expenses would be if the formula used to calculate the charges approximated the fair market value of labor. Since the utility did not supply the requested data, Staff used a conservative overhead markup factor of 1.5 in its comparison.

To visualize Staff's evaluation of the current contract between Central Rivers and Construction Services and Management, the reader should look at the Construction Company's process of calculating the charges in the contract. To find the charges for each period, the Construction Company uses the following formula:

$$\text{Hourly Rate} * \text{Number of Hours Required per period} * \text{Profit Margin} = \text{Charge per Period}$$

As previously mentioned, Staff found the hourly rates the Construction Company uses to charge their affiliate, Central Rivers, is consistent with the hourly rates charged to non-affiliated parties, indicating that the rate component of the formula approximates fair market value. Also previously mentioned, the Company does not

maintain timecards so Staff was unable to verify the actual number of hours required for each service. However, Staff found that the total of the charges per period listed in the contract exceed fair market value (as adjusted to include a profit margin component<sup>4</sup>), pointing to the conclusion that, on the whole, the hourly component of the Company's formula is overstated. The comparison of the contractual charges and market value is illustrated in the following table<sup>5</sup> in column H:

A	B	C	D	E	F	G	H
Description	Market Value Hourly Pay Rate <sup>6</sup>	Company Estimated Hours Allocated to Service	Overhead Markup <sup>7</sup>	Profit Margin <sup>8</sup>	Market Value of Rates with Profit (B*C*D*E)	Annualized CSM Charges	Excess of Contractual Charges Over Market Value
Service Calls	\$22.77	As Needed	1.50	9.25%	\$6,350	\$3,875	\$(2,475)
Maintenance	22.77	330	1.50	9.25%	12,314	19,800	7,486
Customer STEP Maintenance	22.77	482	1.50	9.25%	17,986	28,920	10,934
Mowing	22.77	245	1.50	9.25%	9,142	14,700	5,558
Clerical	16.19	557	1.50	9.25%	14,782	19,500	4,718
Management	57.11	144	1.50	9.25%	13,477	10,800	(2,677)
Monitoring	22.77	384	1.50	9.25%	14,329	23,040	8,711
Cleaning	22.77	84	1.50	9.25%	3,134	5,040	1,906
Totals					\$91,514	\$125,675	\$34,161

Because the Company has not supported the number of hours used to formulate the charges listed in the contract with their affiliate, Staff has not included the contractual expenses (as defined in the contract) in the cost of service. At this time, for rate-making purposes, Staff has included the test year expenses paid to the Construction Company plus an estimated cost of additional compliance with DNR standards, totaling \$99,796 with the understanding that timecards will be maintained regarding activities related to the utility for future audits.

<sup>4</sup> Staff used its calculated rate of return for the utility as the profit margin component since that is indicative of a fair return in the utility industry.

<sup>5</sup> The table shown displays selected columns from the full worksheet. The full worksheet is attached as Appendix C.

<sup>6</sup> Data is from the MERIC website. Staff used experienced rates for management and maintenance duties and the mean rate for clerical duties.

<sup>7</sup> Actual data from company not received. The markup factor is a conservative estimate by Staff.

<sup>8</sup> Profit margin equals the overall rate of return calculated by Staff.

## **Other Miscellaneous Expenses**

Central Rivers incurs other costs that are not part of the services provided by the Construction Company. These costs are separately accounted for by the Company apart from the affiliated costs of services provided under the affiliated contract. Staff examined these remaining expenses incurred by Central Rivers including purchased electricity, laboratory services, legal expense, insurance expense, postage expense, telephone and internet expense and regulatory expense separately. Adjustments related to these expenses are shown in Appendix A.

## **TARIFF ISSUES**

### **Empty Lot Fees**

Central Rivers bills and collects fees from individuals and developers for what it refers to as an “Empty Lot Fee.” These fees are charged to the owners of lots that do not have sewer collection equipment, including a septic tank and service line installed or constructed. Therefore, the owners of these lots are not presently utility customers of Central Rivers.

Though the Company’s existing tariff is silent in all aspects of these fees, Central Rivers has been collecting revenues of \$20 per lot, per month, since at least 2005 from both the subdivision developers and individual lot owners. Management has stated the reason the fees are necessary is “because the operations of each plant are based on the total number of lots in that subdivision. This is a small utility company and every budget for the plant is based on the number of lots. The contracts between CRW [*Central Rivers Wastewater*<sup>9</sup>] and the developer of each subdivision required an empty lot fee to be paid until the startup of a system on a lot. The minimum requirement at \$20 per lot helps cover the basic operation of the sewer plant. This is the only way that CRW could function.”<sup>10</sup>

What the Company calls “Empty Lot Fees” are comparable to Availability Fees that the Commission has recently discussed in Lake Region Water & Sewer Company (Lake Region) Case No. WR-2013-0461 with one very important difference. In Lake Region’s circumstances, the entity collecting revenue from utility plant that is not in service is a company other than the utility company. In the case of Central Rivers, the utility itself is the company billing, collecting, and enforcing the fees, and since management has asserted that these “Empty Lot Fees (Availability Fees) are essential to “cover the basic operation of the sewer plant” and the “only way

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<sup>9</sup> Italics added

<sup>10</sup> source: response to Data Request 5

that CRW could function.”<sup>11</sup>, Staff has included an annualized amount for the utility income in its revenue annualization to determine the overall cost of service for the Company.

### **Customer Deposit Interest**

The existing tariff for Central Rivers states that the Company is authorized to collect a deposit of one billing period plus thirty days (for a total of \$64). It also states that upon refund, the Company shall pay 6 percent (6%) per annum of interest on those deposits. However, the tariff is silent on *when* the deposits shall be refunded. The current practice for Central Rivers is to hold a deposit from a customer until the time the customer moves out of their residence and discontinues their sewer service. During the course of the audit, Staff found that the Company was not including the accumulated interest in the amounts refunded to the ratepayers.

Staff has discussed customer deposits with Central Rivers and found that management has decided to refund all current customer deposits, with interest, and cease collecting customer deposits in the future. However, while the existing tariff specifies a 6 percent interest rate, it does not specify if the Company should use simple or compound interest while calculating the refund due. Staff assumes that the authors of the tariff intended the interest rate to be compound but paying the accumulated interest on deposits that have been held since 1999 would be a financial burden to the company and not a material benefit to the ratepayer. As an alternative, Staff is proposing that the company use simple interest to calculate the customer’s accumulated interest. This method will yield \$3.84 ( $\$64 * 6\%$ ) of interest per annum to the ratepayer.

### **Septic Tank Installation and Connection Charges**

The Schedule of Service Charges in the existing tariff provides for connection charges of \$4,500 for homes that are three bedrooms or less and \$4,800 for homes larger than three bedrooms. The charge includes the installation of a septic tank on the residence as well as the service line necessary to connect the septic tank to the subdivision’s sewer collection system. However, Central Rivers has been charging and collecting fees in excess of the tariffed rates. When Staff discussed this issue with Company management, the Company stated that the costs of the parts and equipment necessary to connect a new customer to the collection system have

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<sup>11</sup> source: response to Data Request 5

steadily risen since the Connection Fee was established in 1999 and to cover the rising costs, Central Rivers had to increase the fee.

The Company increased the fee from the tariffed \$4,500/\$4,800 amount to the current and proposed fee of \$6,000 in three increments without seeking Commission approval. The increments and total over collections from new customer installations, according to the Company, are illustrated in the following table.

Number of Installs	Amount Charged to Customer	Maximum Amount Tariffed	Over Collection per Install	Amount Over Collected
53	\$5,200	\$4,800	\$400	\$21,200
14	\$5,600	\$4,800	\$800	\$11,200
15	\$6,000	\$4,800	\$1,200	\$18,000
<b>Total</b>				<b>\$50,400</b>

To address these over collections, Staff is proposing that the total costs of the installations be capitalized in Plant in Service and offset by Contributions in aid of Construction. The offsetting CIAC consists of two components; 1) the total funds received by Central Rivers at the assumed cost of \$4,800 (the tariffed maximum) and 2) the funds collected from the customer in excess of the tariffed amount (totaling \$50,400). This accounting treatment ensures that the customers of Central Rivers receive full credit for the plant they have contributed to the utility. Also, there will be no effect on the Company's overall rate base and therefore does not result in a detrimental effect to the utility's ratepayers, which is a primary concern of Staff.

Had Central Rivers complied with the tariff, it would have been entitled to earn a return on the monies the Company invested in the installation of each tank. As the cost of construction and equipment needed for each installation increased over time, the Company's plant balance has increased in direct correlation to the cost. However, if the Company had restricted the amount that is collected from the customer to the maximum tariffed amount of \$4,800, the current CIAC balance would be \$50,400 less than it currently is. Therefore, the overall rate base would be increased by the \$50,400, allowing the utility to earn a return of *and* a return on that investment.

As an alternative to increasing plant in service and CIAC by the total cost and amounts collected for installations, Staff proposes that the Commission order a refund to the customers that paid a Connection Fee in excess of the tariffed rate. However, there are difficulties in implementing this solution. A review of the Company's records of customer deposit refunds indicates that approximately 47 ratepayers have moved out of

their residence since Central Rivers began providing sewer service. If it was assumed that all 47 of these individuals paid a connection fee and it was assumed that the amount of overpayment could be calculated for each customer, it is doubtful that the Company would be able to locate and contact each former customer to initiate the refund. However, if the Commission believes it would be preferable to have the over collected funds refunded to customers because of the amount of money involved, Staff is recommending the Company be ordered to make the effort to locate each of the former customers to refund the monies.

### **AUDITING RECOMMENDATIONS**

1. Staff recommends Central Rivers develop detailed time sheets and travel logs to record work assignments and the actual time and travel needed to complete each utility related work assignment and instruct the affiliated Construction Company, which provides all labor and equipment utilized, on the proper documentation of each work assignment. This reporting should be detailed enough to provide sufficient opportunity to audit this information for accuracy of actual time spent on each activity being performed by the affiliated Construction Company on behalf of Central Rivers and to verify the reasonable and prudent costs charged Central Rivers for those utility services including the labor rates used and equipment and overhead charges. The reporting should provide a break down between expenses and costs that should be capitalized for construction related activities. This information should be sufficient to support the actual hours spent and hourly rates used to bill Central Rivers for these services. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, Case No. SR-2014-0247.
2. Staff recommends the Company correct its books and records to reflect the adjusted plant, depreciation reserve, and contributions in aid of construction balances reflected in the Staff Accounting Schedules, Attachment B, within ninety (90) days of the effective date of any Commission order issued in this case, Case No. SR-2014-0247.
3. Staff recommends the Company capitalize (include) the cost of any STEP installations into plant in service and increase CIAC by the funds received from customers for STEP installations for all connections performed after March 31, 2014.
4. Staff recommends that Central Rivers take all necessary steps and examine all options available to the Company to refinance its current 9.75% debt issuance. This would include but not be limited to looking into issuing debt through securities similar to the Environmental Improvement and Energy Resources Authority (EIERA).
5. Staff recommends the Company refund to customers all outstanding customer deposits inclusive of a 6% interest rate, accumulated at 6% of the deposit per annum using a simple interest method. This recommendation should be completed within 24 months of the effective date of any Commission order in this case, Case No. SR-2014-0247. The deposits shall be refunded via a credit to each customer's account with an explanatory line item appearing on the monthly billing statements.

6. Staff recommends the Commission approve an increase in the Company's annual sewer operating revenues of \$34,461, or 31.9% rate increase.



## Appendix A

**Expense Adjustment Table**

Company Account Number	Account Name	Adjustment Number	Dollar Amount	Reason for Adjustment
626.00	Non-Utility Expense	E-10.1	\$18,640	To remove all installation revenues and expenses and capitalize installation costs
648.20	MOPSC Assessment	E-33.1	(\$6,514)	To adjust test year PSC assessment to reflect the current FY 2014 assessment
720.00	Supplies –Office	E-24.1	(\$350)	To remove the cost of software owned by affiliated company
731.00	Contractual Services – Legal	E-15.1	(\$1,576)	To normalize legal expense
736.10	Misc Expense	E-29.1	(\$953)	To adjust account balance to include appropriate costs only
736.07	CSM Plant Monitoring	E-21-1	\$14,321	To include Proforma costs for DNR required plant maintenance
748.00	Telephone and Internet	E-30.1	(\$672)	To annualize internet and telephone expense

## Appendix B

**Sewer Utility Comparison Table**

Utility	Overhead <sup>12</sup>	Customer Count	Overhead Expense per Customer	Gross Plant in Service	Overhead per Dollar of Plant	Total Expenses	Ratio of Overhead to Total Expenses
<b>Central Rivers Wastewater</b>	<b>\$125,675</b>	<b>238</b>	<b>\$528.05</b>	<b>\$2,113,125</b>	<b>\$0.06</b>	<b>\$158,465</b>	<b>79.31%</b>
Mid MO Sanitation, LLC	20,975	28	749.11	63,783	0.33	26,240	79.94%
Taney County Utilities Co	30,353	61	497.59	60,085	0.51	36,447	83.28%
Taneycomo Highlands Inc	8,219	26	316.10	74,596	0.11	22,029	37.31%
Warren County Sewer Co	11,001	35	314.30	16,140	0.68	24,303	45.26%
R D Sewer Company LLC	46,220	166	278.43	296,362	0.16	75,786	60.99%
Holtgrewe Farms Sewer	804	3	268.04	56,244	0.01	6,859	11.72%
North Oak Sewer District	20,364	78	261.08	155,152	0.13	32,444	62.77%
House Springs Sewer Co	284,810	1,169	243.64	1,972,207	0.14	497,125	57.29%
West 16th St Sewer Co	33,473	149	224.65	443,502	0.08	46,287	72.32%
Cannon Home Association	22,602	105	215.25	437,456	0.05	33,307	67.86%
Mill Creek Sewer	14,538	75	193.85	142,467	0.10	35,445	41.02%
Timber Creek	330,247	1,849	178.61	3,343,112	0.10	538,392	61.34%
TBJ Sewer Systems, Inc	7,594	63	120.54	364,994	0.02	48,454	15.67%
Village Water & Sewer	15,200	241	63.07	335,751	0.05	37,630	40.39%

<sup>12</sup> Overhead is inclusive of a) outside services employed b) rent expense c) maintenance & repairs of plant d) supplies e) transportation expenses f) chemicals g) payroll h) clerical

## Appendix C

### Comparison of CSM charges to Market Value of Wages

Description	Market Value Hourly Pay Rate	Annual Hours Allocated to Service	Payroll Market Value Annual Cost	OHM	Adjusted Market Value Annual Cost	Profit Margin	Market Value of Rates with Profit	Annualized CSM Charges	Excess of Contractual Charges Over Market Value
Service Calls		As Needed	\$3,875	1.50	5,813	9.25%	<b>\$6,350</b>	\$3,875	<b>\$(2,475)</b>
Maintenance	\$22.77	330	7,514	1.50	11,271	9.25%	<b>12,314</b>	19,800	<b>7,486</b>
Customer STEP Maintenance	\$22.77	482	10,975	1.50	16,463	9.25%	<b>17,986</b>	28,920	<b>10,934</b>
Mowing	\$22.77	245	5,579	1.50	8,368	9.25%	<b>9,142</b>	14,700	<b>5,558</b>
Clerical	\$16.19	557	9,020	1.50	13,530	9.25%	<b>14,782</b>	19,500	<b>4,718</b>
Management	\$57.11	144	8,224	1.50	12,336	9.25%	<b>13,477</b>	10,800	<b>(2,677)</b>
Monitoring	\$22.77	384	8,744	1.50	13,116	9.25%	<b>14,329</b>	23,040	<b>8,711</b>
Cleaning	\$22.77	84	1,913	1.50	2,869	9.25%	<b>3,134</b>	5,040	<b>1,906</b>
Totals			\$55,843		\$83,766		<b>\$91,514</b>	\$125,675	<b>\$34,161</b>

# Agreement Attachment H

## EMSU Report

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

### **Engineering and Management Services Unit**

### **Small Company Rate Increase Request**

**Case No. SR-2014-0247**

### **Central Rivers Wastewater Utility, Inc.**

**Gary Bangert**

The Engineering and Management Services Unit (EMSU) staff of the Missouri Public Service Commission (“Commission”) initiated an informal review in April 2014 of the customer service and business processes, procedures, and practices of Central Rivers Wastewater Utility, Inc. (“Central Rivers” or “Company”). The review was performed in response to the Company’s request for a rate increase in Case No. SR-2014-0247, which was filed on March 11, 2014. This request is for an increase of \$91,789.57 in its annual sewer system operating revenues representing an approximate 100% increase in the Company’s annual sewer system operating revenues.

The EMSU staff examined the Company’s tariffs, annual reports, Commission complaint and inquiry records, and other documentation related to the Company’s customer service and business operations. In preparation of this report, the EMSU staff submitted data requests to the Company and conducted interviews with Company personnel. The EMSU staff’s review of the Company resulted in the following eight recommendations:

#### **THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

1. Require the contractor that performs business office and outside operations work activity to develop and utilize time sheets to record the time associated with work assignments. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
2. Ensure that customers are always given at least 21 days to pay their bill as required in Commission Rule 4 CSR 240-13.020(7). This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
3. Utilize fireproof storage for critical customer records and store backups of electronic customer data at an off-site location. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.

4. Evaluate whether new customers applying for service meet acceptable credit rating criteria before charging security deposits and return deposits with accrued interest to customers when they have established a satisfactory payment history as defined in Commission Rule 4 CSR 240-13.030. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
5. Evaluate and implement actions in compliance with Commission Rule 4 CSR 240-13.050 that may reduce the number of delinquent customer accounts. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
6. Prepare a written notice for mailing in accord with Commission Rule 4 CSR 240-13.050(4 and 5) that could be used to notify customers when scheduling discontinuance of service due to nonpayment. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
7. Develop and implement a process in compliance with Commission Rule 4 CSR 240-13.040(5) to ensure all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall include the customer name, address, nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.
8. Develop and distribute to all future customers and current customers, upon request, written information summarizing the rights and responsibilities of the Company and its customers. This document should adhere to Commission Rule 4 CSR 240-13.040(3). This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.

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

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

provide the Commission with information regarding the Company's customer service and business operations.

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

- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

This report contains the results of the EMSU staff's review.

### **History**

Central Rivers was first authorized by the Commission on May 22, 1998, to provide sewer service and currently operates in seven certificated areas located in Clinton County, Clay County, and Ray County, Missouri. The Company provides sewer service to approximately 241 customers in its certificated areas as of March 2014. There has been minimal change in the number of customers over the past three years and little growth is anticipated. No previous customer service review has been performed by the EMSU staff.

### **Overview**

Central Rivers has no employees. The Company contracts with Construction Services & Management, Inc., (CS&M) to perform all business office functions and all outside operations activities. Four CS&M employees are involved in business office functions, and four CS&M employees perform all outside operations activities. Construction Services & Management bills Central Rivers for its services based on rates identified in the Company's contract with CS&M. Time records are not kept by CS&M that document the time spent providing all services. No vehicles are owned by Central Rivers.

The business office for Central Rivers is located in Excelsior Springs, Missouri. Business office hours are Tuesday and Wednesday from 9:00 a.m. to 5:00 p.m. Company personnel are also available 24/7 by telephone. Phone messages are checked three times each day. Business office functions performed by office personnel include preparing and mailing customer bills, maintaining customer account records, posting customer bill payments, responding to customer complaints and inquiries, making bank deposits, and paying bills.

Outside operations activities include service calls, monitoring and maintenance of sewer plant, yearly cleaning and inspection of customers' collection equipment, and mowing.

### **Customer Billing**

The Company's tariffs provide the rates for sewer service. Sewer customers pay a flat fee of \$32.00 per month.

Central Rivers uses Quickbooks software for all accounting and to maintain customer records. Company personnel indicated that the monthly bills are usually mailed on the 25<sup>th</sup> of the month although the date included on the statement is the 1<sup>st</sup> of the following month. Information on the bills communicates that bills are due upon receipt and that a late fee will be assessed on the 15<sup>th</sup> of the month on unpaid accounts. Company personnel represented that the \$6.50 late charge in its tariff is actually assessed on unpaid accounts on the 16<sup>th</sup> of the month.

### **Payment Remittance**

Customers pay their sewer bills by check. Payments are sometimes collected in the field. Company personnel indicated that approximately 30% of all mailed payments are initiated online through customer bill pay options at banks. Central Rivers personnel asserted that bill payments are processed and deposited on the day they are received. Business office personnel represented that account records are backed up weekly, but no fireproof or off-site storage is used. Company personnel indicated they are exploring the possibility of developing a Web site that would include an option for customers to pay their bill by credit card.

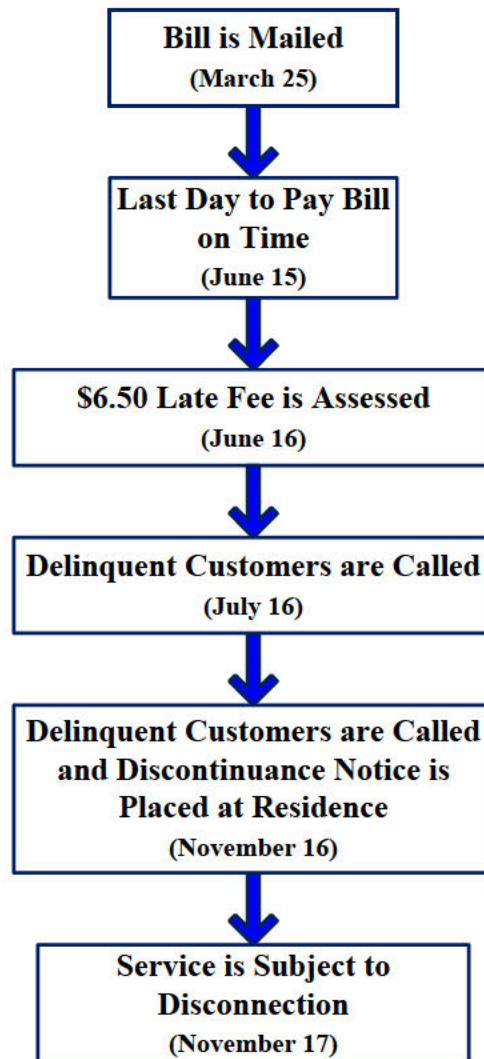
### **Credit and Collections**

Customers requesting sewer service are required to complete a written application, and a security deposit of \$64.00 is required as a condition for providing service. Security deposits are not returned unless customers are moving out of the Company's service territory. Company personnel asserted that returned checks have not been a problem. There have been five returned checks in the past 15 years. The Company's tariff provides for a \$15.00 returned check fee.

The Company has an established procedure for handling delinquent accounts. The following illustration shows the actions that would be taken on an account that remains unpaid if the bill were mailed on March 25:



### **Delinquent Account Actions**



As shown in the illustration, accounts that remain unpaid are subject to discontinuance approximately six months after they become delinquent. The Company leaves a written notice on the premise door about a possible discontinuance of service although the information given on the notice only states that service will be discontinued and informs the customer to call the provided Company contact number as soon as possible. The Company's tariff specifies that if a customer's service is disconnected, they may be reconnected after paying all charges including the cost of discontinuance of service and reconnection.

Central Rivers personnel indicate that approximately 20 customers are delinquent each month and are assessed the \$6.50 late fee. An average of about 7 to 10 customers do not pay a past due amount by the time the next month's statement is prepared. There is usually about one

customer per year who has an unpaid balance for six months and receives a notice of discontinuance. No customers have had their sewer service discontinued because of an unpaid balance after receiving a notice of discontinuance. The Company does not use a collection agency to pursue the collection of amounts owed to Central Rivers. No uncollectible sewer account has been written off since 2012.

### **Complaints and Inquiries**

Customers with questions or concerns may call Central Rivers using the telephone number appearing on their bill. Company personnel indicate that customer contacts are not recorded. A review of Commission complaint/inquiry records since 2012 showed there was one complaint about a disputed bill in 2012, but no complaints or inquiries since then.

### **Customer Communication**

Customer bills are the primary means of communicating with customers. The monthly statements provide limited space for additional information. A user manual is provided to new customers, but it does not contain information summarizing the rights and responsibilities of the Company and its customers.

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

The following discussion presents a summary of the findings, conclusions, and recommendations pertaining to the Company's customer service operations. Recommendations resulting from rule or tariff violations are specifically noted and associated with a 30-day implementation requirement. The information presented in this section focuses on the following eight issues that require Company management's attention:

- Time Records
- Customer Bill Format
- Customer Account Data Storage
- Security Deposit Requirements and Refunds
- Discontinuance of Service
- Discontinuance Notice Information
- Complaint and Inquiry Documentation
- Customer Rights and Responsibilities Documentation

## **Time Records**

Time records associated with business office and outside operations contractor work activity have not been developed. Construction Services & Management, Inc., bills Central Rivers for its services based on fees identified in the Company's contract with CS&M. Most of these fees are flat amounts and are not supported by the number of hours required to perform various services. Consequently, it is not possible to determine whether the costs for these services are reasonable.

Maintaining accurate time records can serve and support several managerial and regulatory purposes, such as planning, budgeting, verification, and human resources.

- Time records assist in tracking the amount of time expended on all projects.
- Time sheets create a record, serving as visual feedback of the work and projects that have been accomplished.
- Data contained in the time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Time records are useful in the regulatory process to support the pay and benefits that regulated utilities will receive in customer rates.

## ***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Require the contractor that performs business office and outside operations work activity to develop and utilize time sheets to record the time associated with work assignments. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

## **Customer Bill Format**

Customer bills do not accurately state the bill mailing date, when a late charge will be assessed, and do not always give customers 21 days to pay their statement balance. Company personnel represent that bills are usually mailed on the 25<sup>th</sup> of each month although statements are dated the 1<sup>st</sup> of the month. The billing statements also indicate that late charges will be assessed on the 15<sup>th</sup> of the month while Company personnel indicate late charges are not assessed until the 16<sup>th</sup> of the month on unpaid accounts. The Company's current procedure does not give customers the full 21 days to pay their bills in the months that have less than 31 days. Commission Rule 4 CSR 240-13.020(7) states "A monthly-billed customer shall have at least twenty-one (21) days ... from the rendition of the bill to pay the utility charges, ..."

The provision of an accurate bill in accordance with Commission rules is of critical importance. Customers must be able to expect that the information communicated on their bill is consistent with actual Company practice. It is also important to inform customers of the date they must pay their bill in order to avoid a late payment fee.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Ensure that customers are always given at least 21 days to pay their bill as required in Commission Rule 4 CSR 240-13.020(7). This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Customer Account Data Storage**

Critical customer account records are not stored in a fireproof location and off-site storage is not used for backups of electronic customer data. Business office personnel represented that account records are stored in file cabinets that are not fireproof. Electronic customer account data is backed up weekly, but no fireproof or off-site storage is used.

The lack of fireproof or off-site storage has several detrimental effects. In the event of a disaster, the documents and information maintained in the office could be lost or destroyed. It would be difficult for the Company to re-create its records and nearly impossible to have an accurate record of delinquent amounts owed to the Company. Securing Company documents such as customer applications for service, customer account data, customer payments, and other pertinent Company information in fireproof storage would minimize the risk of loss and the cost and labor-intensive process required to re-create customer data should a disaster occur. Keeping backups of electronic customer data in an off-site location would also help to prevent the possibility of the loss of important information.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Utilize fireproof storage for critical customer records and store backups of electronic customer data at an off-site location. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Security Deposit Requirements and Refunds**

The Company does not determine whether new customers applying for service meet specific credit history criteria before charging a deposit, and it does not return deposits until

customers move out of the Company's service territory. The Company collects a \$64.00 deposit from every new customer that applies for service. Commission rules allow for a deposit, but only if the customer is unable to establish an acceptable credit rating. Commission Rule 4 CSR 240-13.030(1)(C) states that a utility may require a deposit or other guarantee as a condition of new residential service if:

The applicant is unable to establish an acceptable credit rating under standards contained in the utility's commission-approved tariffs. If the applicant has insufficient credit history to determine a credit score, then the applicant shall be deemed to have established an acceptable credit rating if the customer meets any of the following criteria:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year;
3. Has a regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

Commission Rule 4 CSR 240-13.030(4)(D) also requires the Company to return the deposit after 12 months if the customer has established a satisfactory payment history. Commission Rule 4 CSR 240-13.030(4)(D) states:

Upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months, it shall be promptly refunded or credited, with accrued interest, against charges stated on subsequent bills. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Evaluate whether new customers applying for service meet acceptable credit rating criteria before charging security deposits and return deposits with accrued interest to customers when they have established a satisfactory payment history as defined in Commission Rule 4 CSR 240-13.030. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Discontinuance of Service**

The Company does not discontinue the service of customers with delinquent accounts until accounts remain unpaid for at least six months. Company personnel indicate that about 20 customers are delinquent in paying their bill each month, but no customers' service has been discontinued for nonpayment. Twenty customers represent over 8% of the Company's accounts.

In the opinion of the EMSU staff, the practice of not discontinuing service until an account remains unpaid for at least six months is exacerbating the delinquent account problem. Many customers realize they can wait an extended period of time to pay their bill because a discontinuance of service has never been performed. Significant numbers of customers with delinquent accounts each month increases the workload of Company personnel. Delays in collecting account balances also have a negative impact on the availability of Company revenue.

Commission Rule 4 CSR 240-13.050(3) provides direction on Central River's ability to discontinue the service of nonpaying customers. The rule states "On the date specified on the notice of discontinuance, or within thirty (30) calendar days after that, subject to the requirements of these rules, a utility may discontinue service to a residential customer ..." The notice of discontinuance may be mailed after an account becomes delinquent.

The implementation of cost-effective actions to reduce the number of delinquent customer accounts will provide important benefits. Company personnel will have more time available to perform their assigned duties. A reduction in the number of delinquent accounts will also produce cash on a timelier basis to support Company operations.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Evaluate and implement actions in compliance with Commission Rule 4 CSR 240-13.050 that may reduce the number of delinquent customer accounts. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Discontinuance Notice Information**

A written notice of discontinuance of service for nonpayment has not been prepared for mailing to customers with delinquent accounts. Company personnel represent they leave a written notice on the door about a possible discontinuance of service although the information given on the notice only states that service will be discontinued and provides a Company contact number that should be called as soon as possible. Commission Rule 4 CSR-240-13.050(4) specifies six items of information that the notice of discontinuance must contain. Commission Rule 4 CSR 240-13.050(5) states "A sewer utility shall not discontinue residential sewer service pursuant to section (1) unless written notice by certified mail return receipt requested is sent to customer at least thirty (30) days prior to date of the proposed discontinuance ..."

The availability of a well-prepared, written notice would enable Company management to provide the required notification in a timely manner if a discontinuance of service for nonpayment is scheduled. Customers would benefit from complete information that could enable them to make arrangements to pay any past due balance before incurring significant costs associated with discontinuing and reconnecting their sewer service.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Prepare a written notice for mailing in accord with Commission Rule 4 CSR 240-13.050(4 and 5) that could be used to notify customers when scheduling discontinuance of service due to nonpayment. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Complaint and Inquiry Documentation**

The Company does not keep a record of customer contacts involving complaints it receives. Commission Rule 4 CSR 240-13.040(5) states “A utility shall maintain records on its customers for at least two (2) years which contain all information concerning ... (B) The number and general description of complaints registered with the utility; ...”

The availability of documented customer contact information would enable Company management to evaluate why customers contact the Company, determine if any corrective measures could be taken to reduce customer contacts, and improve customer satisfaction. The availability of documentation regarding customer contacts would also help to show the Company’s responsiveness in addressing customer issues.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Develop and implement a process in compliance with Commission Rule 4 CSR 240-13.040(5) to ensure all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall include the customer name, address, nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Customer Rights and Responsibilities Documentation**

The Company has not prepared comprehensive, written information summarizing the rights and responsibilities of the Company and its customers. A user manual is provided to new

customers, but it does not contain information summarizing the rights and responsibilities of the Company and its customers. The Company is in violation of Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information in plain language, which summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. The form shall be submitted to the consumer services department of the commission, and to the Office of the Public Counsel. This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each of the utility's residential customers upon request. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request. The written information shall indicate conspicuously that it is being provided in accordance with the rules of the commission, and shall contain information concerning, but not limited to ....

The availability of written information would provide useful facts related to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Company, Commission, and the Office of the Public Counsel. Written information would be a valuable educational resource for new and existing customers.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Develop and distribute to all future customers and current customers, upon request, written information summarizing the rights and responsibilities of the Company and its customers. This document should adhere to Commission Rule 4 CSR 240-13.040(3). This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case No. SR-2014-0247.*

**Implementation Review**

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



## Agreement Attachment I

### Summary of Case Events

Central Rivers Wastewater Utility, Inc.  
Case #SR-2014-0247  
Summary of Case Events

Date Filed	March 11, 2014
Day 150	October 7, 2014
Extension?	Yes
If yes, why?	Allow Company/Staff additional time to negotiate a settlement.
Amount Requested	\$91,790
Amount Agreed Upon	\$34,461
Item(s)/Dollar(s) Driving Rate Increase	Increases in operational expenses.
Number of Customers	241
Weighted Rate of Return inc. Income Tax	8.60%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	None
Status with Secretary of State	Current
DNR Violations	None
Significant Service/Quality Issues	None

## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Martin Hummel – Water & Sewer Department

Matthew Young-Auditing Department

Arthur Rice – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

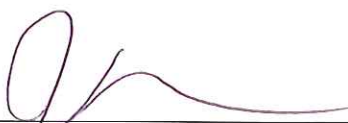
**AFFIDAVIT OF JAMES M. RUSSO**

In the Matter of Central Rivers Wastewater )  
Utility, Inc.'s Small Company Rate Increase )  
Request )

File No. SR-2014-0247


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 *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A, E, F, and I to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A, E, F, and I to the Disposition Agreement; and (6) that the matters set forth in Attachment A, E, F, and I 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 6th day of October, 2014.

LAURA BLOCH  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 21, 2015  
Commission Number: 11203914

  
\_\_\_\_\_  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**


**AFFIDAVIT OF MARTIN HUMMEL**

In the Matter of Central Rivers Wastewater )  
Utility, Inc.'s Small Company Rate Increase )  
Request )

File No. SR-2014-0247


STATE OF MISSOURI )  
 ) SS  
COUNTY OF COLE )

**COMES NOW** Martin Hummel, being of lawful age, and on his oath states the following: (1) that he is a Utility Engineering Specialist III 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 *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment F to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment F to the Disposition Agreement; and (6) that the matters set forth in Attachment F to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Martin Hummel  
Utility Engineering Specialist  
Water & Sewer Unit

Subscribed and sworn to before me this 6<sup>th</sup> day of October, 2014.

LAURA BLOCH  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 21, 2015  
Commission Number: 11203914

  
\_\_\_\_\_  
Notary Public


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

In the Matter of Central Rivers Wastewater    ) File No. SR-2014-0247  
Utility, Inc.'s Small Company Rate Increase    )  
Request    )

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI                                )  
  )       ss  
COUNTY OF JACKSON                            )

**COMES NOW** Matthew R. Young, being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Auditor in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Auditing 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 Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment B, C and G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment B, C and G to the Disposition Agreement; and (6) that the matters set forth in Attachment B, C and G to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Matthew R. Young  
Utility Regulatory Auditor  
Auditing Unit

Subscribed and sworn to before me this 7<sup>th</sup> day of October, 2014.

  
\_\_\_\_\_  
Notary Public



TAMMY MORALES  
My Commission Expires  
January 7, 2018  
Clay County  
Commission #14451086

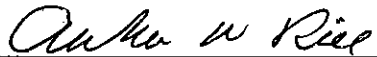
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Central Rivers Wastewater    ) File No. SR-2014-0247  
Utility, Inc.'s Small Company Rate Increase    )  
Request    )

AFFIDAVIT OF ARTHUR W. RICE, P.E.

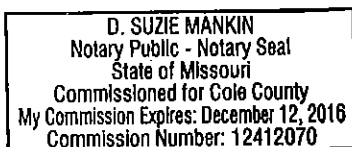
STATE OF MISSOURI        )  
                                      )        ss  
COUNTY OF COLE        )

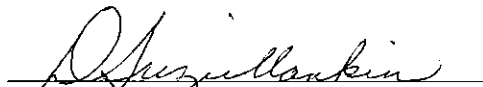
**COMES NOW** Arthur W. Rice, P.E., being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Engineer I in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Engineering & Management Services Unit; (2) that he participated in 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 Partial 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 in Attachment D to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



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

Subscribed and sworn to before me this 6<sup>th</sup> day of October, 2014.



  
Notary Public

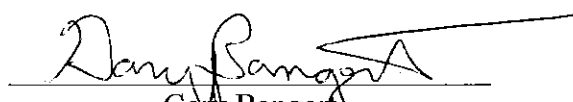
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Central Rivers Wastewater    ) File No. SR-2014-0247  
Utility, Inc.'s Small Company Rate Increase    )  
Request    )

AFFIDAVIT OF GARY BANGERT

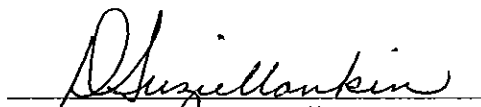
STATE OF MISSOURI        )  
                                      )        ss  
COUNTY OF COLE        )

**COMES NOW** Gary Bangert, being of lawful age, and on his oath states the following:  
(1) that he is a Utility Management Analyst III 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 Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment H to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment H to the Disposition Agreement; and (6) that the matters set forth in Attachment H to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Gary Bangert  
Utility Management Analyst III  
Engineering & Management  
Services Unit

Subscribed and sworn to before me this 7<sup>th</sup> day of October, 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