

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

In the Matter of the Application of Peaceful	)	
Valley Service Company Request for	)	<u>Case No. SR-2014-0153</u>
Increase in Sewer Operating Revenues	)	

**CORRECTED NOTICE OF UPDATED COMPANY/STAFF AGREEMENT
REGARDING 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 Peaceful Valley Service Company ("Peaceful Valley" or "the Company"), files this *Notice of Updated Staff/Company Agreement Regarding Disposition of Small Company Rate Increase Request*, stating:

1. On November 20, 2013, the Missouri Public Service Commission ("Commission") received a Rate Increase Request Letter ("Request") from Peaceful Valley, seeking review of a revenue increase request for both the Company's sewer and water systems.

2. In its Request, the Company requested Commission approval of a 139% increase in its annual sewer system operating revenues and a 0% increase in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050 ("Small Utility Rate Case Procedure"), which were respectively assigned Commission Case Nos. SR-2014-0153 and WR-2014-0154.

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 reached a *Company/Staff Agreement Regarding Disposition of Small Company Revenue Increase Request* ("*Company/Staff Agreement*"). Staff filed *Notice* of that agreement and the *Company/Staff Disposition Agreement* on April 21, 2014.

5. On April 24, 2014, the Company filed a tariff as called for in the *Company/Staff Disposition Agreement*.

6. Also on April 24, 2014, the Office of the Public Counsel requested a local public hearing.

7. Thereafter, on April 30, 2014, the Commission suspended the tariff and granted the request for a local public hearing. On May 1, 2014, the Commission issued its order setting local public hearing.

8. The Company provided notice of the local public hearing to its customers and Staff filed the notice on June 16, 2014. The local public hearing was held in Owensville, Missouri, on June 25, 2014. The transcript was filed on June 30, 2014.

9. Now, Staff and the Company have updated their *Company/Staff Disposition Agreement* to reflect the new Commission assessments and certain other minor corrections to expense items. The *Updated Company/Staff Disposition Agreement* is attached hereto as Appendix A, and incorporated by reference herein.

10. Included in Appendix A is a copy of the above-referenced *Updated Company/Staff Agreement*, as well as a prescribed schedule of depreciation rates and reflects the Company's agreement to implement Staff's recommendations. It also includes various other attachments related to the *Updated Company/Staff Agreement*.

Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

11. The *Updated Company/Staff Agreement* provides for an increase of 9.6% or \$2,335 in operating revenues for the sewer system.

12. In addition, the *Updated Company/Staff Agreement* provides the agreed-upon net rate base of \$6,334 in the Company's sewer operating system.

13. Pursuant to Rule 4 CSR 240-3.050 (14), "[i]f the disposition agreement filed by the staff provides for a full resolution of the utility's request and is executed only by the utility and the staff, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than forty-five (45) days after they are filed, to implement the agreement." The Company will file revised tariff sheets seeking to implement the terms of the Company/Staff Agreement. The tariff shall bear an effective date of August 1, 2014, in compliance with Rule 4 CSR 240.3050 (14).

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

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

WHEREFORE, the Staff submits this *Notice of Updated Company/Staff Agreement Regarding 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

Missouri Bar Number 36288

Chief Staff Counsel

Missouri Public Service Commission

P.O. Box 360

Jefferson City, MO 65102

573-751-6514 (Voice)

573-526-6969 (Fax)

kevin.thompson@psc.mo.gov

Attorney for 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 10th day of July, 2014.**

/s/ Kevin A. Thompson

APPENDIX A

CASE No. SR-2014-0153

STAFF/COMPANY DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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Staff Participant Affidavits

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

Letter from Company

PEACEFUL VALLEY SERVICE CO.
3408-B Peaceful Valley Rd.
Owensville, Mo. 65066
Phone: 573-437-7808
Fax: 573-437-7865

July 7, 2014

Missouri Public Service Commission
James Busch, Jim Russo

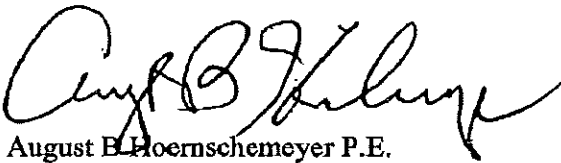
Re: Peaceful Valley Service Company Rate Increase

SR-2014-0153
WR 2014-0154

Gentlemen,

I have reluctantly signed the attached Company/Staff agreements. Since our only alternative is a costly court hearing which would consume more in legal fees than our entire years income, we had no choice but to sign it. The agreement also requires us to conduct Engineering Studies which are not funded by the proposed rate structure. We have instructed our attorney, Mary Weston, to pursue the changing of our status from a "For Profit" company to a "Not for Profit" company which we believe will remove us from the control of the MPSC. We will keep you informed of developments.

Sincerely,



August B. Hoernschemeyer P.E.
President
Peaceful Valley Service Company

Company/Staff Disposition Agreement

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

PEACEFUL VALLEY SERVICE COMPANY

MO PSC FILE NO. SR-2014-0153

BACKGROUND

Peaceful Valley Service Company ("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 November 20, 2013, the Company set forth its request for an increase of \$93,840 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 176 residential customers, located in Gasconade County, 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 \$2,335 (9.57% increase) added to the level of previous revenues of \$24,405 results in overall revenues of \$26,740. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. These amounts are shown on the ratemaking income statement found in Attachment A, incorporated by reference herein;
- (2) The Auditing Unit conducted a full and complete audit of the Company's books and records using the 12-month period September 30, 2013, 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 \$6,334. 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 100.00 % equity for the Company and a return on that equity of 8.79%;
- (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) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment E. The proposed tariff revisions will bear an effective date of June 16, 2014;
- (8) The current PSC MO Number 2 tariff will be cancelled and replaced by PSC MO Number 4, which is included in the example tariff described above;
- (9) 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 G and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission’s EMSU Unit:

- (a) The Company will develop and require a signed customer application prior to providing service as specified in the Company’s tariff. The Company’s customer application shall include the date, the customer’s signature, and a statement indicating that the customer agrees to abide by the Company’s rates, rules and regulations, and applicable state statutes;

(10) Within ninety (90) 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 G 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 evaluate and implement actions in compliance with Commission Rule 4 CSR 240-13.050 and the Commission-approved sewer and water tariffs that will reduce the number of delinquent customer accounts. The Company’s actions should ensure that discontinuances of service are conducted in a manner that is consistent with the time frame communicated to customers. The review should also include an evaluation of whether the use of a collection agency would be cost-beneficial;

(11) Within ninety (90) 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 H 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 submit a list of alternative solutions for waste water treatment and/or disposal with proposed costs and limitations; and
- (b) The Company will submit a schedule of events describing how the chosen waste water treatment process will occur with a timeline of scheduled events;

(12) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Report attached hereto as Attachment I 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 reflect on its books and records the plant-in-service and depreciation reserve balances determined by Staff in the calculation of the Company's overall cost of service calculation at March 31, 2014. These balances will be used as the starting point for entries subsequent to that date. The Company will be required to maintain its records regarding utility plant-in-service, depreciation reserves, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct system-specific cost of service analyses for future rate increase requests. This requirement includes recording plant retirements at the time that replacement plant items are put into service. The Company will request guidance from Staff, if necessary, to complete this recommendation;
 - (b) The Company will develop, implement and maintain records of all new construction connections. These records will, at a minimum, include the customer name, service address, date of connection, any applicable fees collected from the customer, as well as all expenses related to such connection. The Company will request guidance from Staff, if necessary, to complete this recommendation;
 - (c) The Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts (USOA), pursuant to Commission Rule 4 C SR 240-61.020, in respect of the sewer system, including records retention (4 CSR 240-61.010 for sewer operations). The Company will request guidance from Staff, if necessary, to complete this recommendation ;
 - (d) The Company will develop Continuing Property Records (CPR), pursuant to 4 CSR 240-61.010(2) for sewer system, for all of its Missouri utility plant-in-service. The Company will request guidance from Staff, if necessary, to complete this recommendation; and
 - (e) The Company will verify that all current customers are being correctly billed for the service being provided. The Company will request guidance from Staff, if necessary, to complete this recommendation;
- (13) 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 Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;
- (14) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

(15) Staff or Public Counsel may file a formal complaint against the Company if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;

(16) The Company, Staff and Public Counsel agree that they have read the foregoing Company/Staff Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and

(17) 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.

ADDITIONAL MATTERS

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

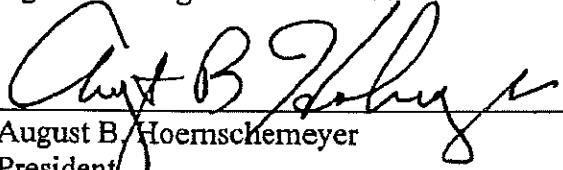
Staff has completed a Summary of Case Events and has included that summary as Attachment J to this Company/Staff Disposition Agreement.

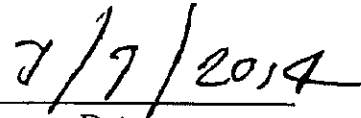
The Company acknowledges that Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

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 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 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.

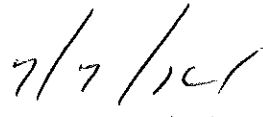
SIGNATURES

Agreement Signed and Dated:


August B. Hoernschemeyer
President
PVSC


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 – Example Tariff Sheets
- Attachment F – Billing Comparison Worksheet
- Attachment G – EMSU Report
- Attachment H – Water & Sewer Unit Memorandum
- Attachment I – Auditing Unit Recommendation Memorandum
- Attachment J – Summary of Events

Agreement Attachment A

Ratemaking Income Statement

PEACEFUL VALLEY SERVICE COMPANY

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	23,605
2	Other Operating Revenues *	\$	800
3	Total Operating Revenues	\$	24,405
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Operators Salary	\$ 4,727
2 Electricity-Pumping	\$ 1,345
3 Sewer Treatment -Chemicals	\$ 152
4 Sewer Treatment -Testing/Laboratory Fees	\$ 1,660
5 System Repairs & Maintenance	\$ 1,148
6 Accounting Fees	\$ 1,315
7 Billing & Collection	\$ 47
8 Office Supplies	\$ 264
9 Postage Expense	\$ 131
10 Administration & General - Salaries	\$ 4,519
11 Telephone & Internet Expense	\$ 862
12 Transportation Expense	\$ 942
13 Property & Liability Insurance	\$ 1,119
14 Rate Case Expense	\$ 157
15 Dues, Donations & Memberships	\$ 40
16 Electricity-Office	\$ 503
17 Bank Fees	\$ 12
18 MO DNR Fees	\$ 3,000
19 Regulatory Commission Expense	\$ 217
20 Corporate Registration	\$ 10
21 Miscellaneous General Expenses	\$ 27
22 Sub-Total Operating Expenses	\$ 22,197
23 Property Taxes	\$ 5
24 MO Franchise Taxes	\$ -
25 Employer FICA Taxes	\$ 707
26 Federal Unemployment Taxes	\$ -
27 State Unemployment Taxes	\$ -
28 State & Federal Income Taxes	\$ 138
29 Sub-Total Taxes	\$ 850
30 Depreciation Expense	\$ 1,843
31 Interest Expense	\$ -
32 Amortization-Engineering Fees	\$ 1,293
33 Sub-Total Depreciation/Interest/Amortization	\$ 3,136
34 Return on Rate Base	\$ 557
35 Total Cost of Service	\$ 26,740
36 Overall Revenue Increase Needed	\$ 2,335

Agreement Attachment B

EMS Run



MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW

UTILITY SERVICES, AUDITING

STAFF ACCOUNTING SCHEDULES

PEACEFUL VALLEY SERVICE COMPANY

CASE NO. SR-2014-0153

SAINT LOUIS, MISSOURI

February 2014

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$23,605			
Rev-3	Miscellaneous Revenues	(1)	\$800			
Rev-4	TOTAL ANNUALIZED REVENUES		\$24,405			
1	OPERATIONS EXPENSES	(2)				
2	Operator Salary		\$4,727	\$0	\$4,727	0.00%
3	Electricity - Pumping & Treatment		\$1,345	\$0	\$1,345	0.00%
4	Chemicals		\$152	\$0	\$152	0.00%
5	Testing		\$1,660	\$0	\$1,660	0.00%
6	TOTAL OPERATIONS EXPENSE		\$7,884	\$0	\$7,884	
7	MAINTENANCE EXPENSES					
8	System Repairs and Maintenance		\$1,148	\$0	\$1,148	0.00%
9	TOTAL MAINTENANCE EXPENSE		\$1,148	\$0	\$1,148	
10	CUSTOMER ACCOUNT EXPENSE					
11	Accounting Fees		\$1,315	\$0	\$1,315	0.00%
12	Billing & Collections		\$47	\$0	\$47	0.00%
13	Office Supplies		\$264	\$0	\$264	0.00%
14	Postage Expense		\$131	\$0	\$131	0.00%
15	TOTAL CUSTOMER ACCOUNT EXPENSE		\$1,757	\$0	\$1,757	
16	ADMINISTRATIVE & GENERAL EXPENSES					
17	Administration & General Salaries		\$4,519	\$0	\$4,519	0.00%
18	Telephone Expense		\$862	\$0	\$862	0.00%
19	Mileage Reimbursement		\$942	\$0	\$942	0.00%
20	Property & Liability Insurance		\$1,119	\$0	\$1,119	0.00%
21	Other Miscellaneous Expenses		\$27	\$0	\$27	0.00%
22	Rate Case Expense		\$157	\$0	\$157	0.00%
23	Dues, Donations & Memberships		\$40	\$0	\$40	0.00%
24	Electricity - Office		\$503	\$0	\$503	0.00%
25	Bank Fees		\$12	\$0	\$12	0.00%
26	Employee Bonuses		\$0	\$0	\$0	0.00%
27	TOTAL ADMINISTRATIVE AND GENERAL		\$8,181	\$0	\$8,181	
28	OTHER OPERATING EXPENSES					
29	MO DNR Fees		\$3,000	\$0	\$3,000	0.00%
30	PSC Assessment		\$217	\$0	\$217	0.00%
31	Corporate Registration		\$10	\$0	\$10	0.00%
32	Amortization - Engineering Fees		\$1,293	\$0	\$1,293	0.00%
33	Depreciation		\$1,843	\$0	\$1,843	0.00%
34	TOTAL OTHER OPERATING EXPENSES		\$6,363	\$0	\$6,363	
35	TAXES OTHER THAN INCOME					
36	Real & Personal Property Taxes		\$5	\$0	\$5	0.00%
37	Payroll Taxes		\$707	\$0	\$707	0.00%
38	TOTAL TAXES OTHER THAN INCOME		\$712	\$0	\$712	
39	TOTAL OPERATING EXPENSES		\$26,045	\$0	\$26,045	
40	Interest Expense	(3)	\$0	\$0	\$0	0.00%
41	Return on Equity	(3)	\$557	\$0	\$557	0.00%
42	Income Taxes	(3)	\$138	\$0	\$138	0.00%
43	TOTAL INTEREST RETURN & TAXES		\$695	\$0	\$695	
44	TOTAL COST OF SERVICE		\$26,740	\$0	\$26,740	

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
45	Less: Miscellaneous Revenues		\$800	\$0	\$800	0.00%
46	COST TO RECOVER IN RATES		\$25,940	\$0	\$25,940	
47	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$2,335</u>			
48	PERCENTAGE OF INCREASE		<u>9.57%</u>			
49	REQUESTED INCREASE IN REVENUES		\$93,840			

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

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Rate Base Required Return on Investment Schedule - Sewer

Line Number	A Rate Base Description	B Dollar Amount
1	Plant In Service	\$67,298 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$31,529</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$35,769
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	-\$42,419
	CIAC Amortization	\$12,409
	Materials & Supplies	\$575
5	Total Rate Base	<u>\$6,334</u>
6	Total Weighted Rate of Return Including Income Tax	<u>10.97%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$695</u></u>

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Rate of Return Including Income Tax - Sewer

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	14.96% (1) & (2)	14.09%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.90%	$B1 + B2$
4 Equity Tax Factor		1.2484	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		8.79%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		10.97%	$B4 \times B5$
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		0.00%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		10.97%	$B6 + B7$

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

N

To Rate Base Schedule

Equity Income Required \$655
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$655	\$98
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$655	\$98
Consolidated Tax Rate:				
Average Tax Rate:				0.1496

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Capital Structure Schedule - Sewer

Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$6,334	100.00%	8.79%	8.790%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$0	0.00%	0.00%	0.000%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	\$6,334	100.00%		8.790%

To PreTax Return Rate Schedule

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Plant In Service - Sewer

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	<u>\$0</u>		<u>\$0</u>		<u>\$0</u>
3		SOURCE OF SUPPLY PLANT					
4	311.000	Structures & Improvements-SSP	<u>\$55</u>			100.00%	<u>\$55</u>
5		TOTAL SOURCE OF SUPPLY PLANT	<u>\$55</u>		<u>\$0</u>		<u>\$55</u>
6		COLLECTION PLANT					
7	352.200	Collection Sewers - Gravity -CP	<u>\$3,122</u>			100.00%	<u>\$3,122</u>
8	353.000	Other Collection Plant Facilities	<u>\$40,900</u>			100.00%	<u>\$40,900</u>
9	354.000	Services to Customers	<u>\$4,000</u>			100.00%	<u>\$4,000</u>
10		TOTAL COLLECTION PLANT	<u>\$48,022</u>		<u>\$0</u>		<u>\$48,022</u>
11		PUMPING PLANT					
12	363.000	Pumping Equipment	<u>\$13,332</u>	P-12	<u>\$808</u>	100.00%	<u>\$14,140</u>
13		TOTAL PUMPING PLANT	<u>\$13,332</u>		<u>\$808</u>		<u>\$14,140</u>
14		TREATMENT & DISPOSAL PLANT					
15	372.000	Oxidation Lagoon	<u>\$753</u>			100.00%	<u>\$753</u>
16	373.000	Treatment and Disposal Equipment	<u>\$0</u>	P-16	<u>\$0</u>	100.00%	<u>\$0</u>
17		TOTAL TREATMENT & DISPOSAL PLANT	<u>\$753</u>		<u>\$0</u>		<u>\$753</u>
18		GENERAL PLANT					
19	391.000	Office Furniture & Equipment	<u>\$384</u>			100.00%	<u>\$384</u>
20	391.100	Office Computer & Equipment	<u>\$4,205</u>	P-20	<u>-\$348</u>	100.00%	<u>\$3,857</u>
21	395.000	Laboratory Equipment	<u>\$87</u>			100.00%	<u>\$87</u>
22	396.000	Power-operated Equipment	<u>\$0</u>			100.00%	<u>\$0</u>
23	397.000	Communication Equipment	<u>\$0</u>			100.00%	<u>\$0</u>
24		TOTAL GENERAL PLANT	<u>\$4,676</u>		<u>-\$348</u>		<u>\$4,328</u>
25		TOTAL PLANT IN SERVICE	<u><u>\$66,838</u></u>		<u><u>\$480</u></u>		<u><u>\$67,298</u></u>

To Rate Base & Depreciation Schedules

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Schedule of Adjustments for Plant in Service - Sewer

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-12	Pumping Equipment	363.000		\$808
	1. To capitalize item previously in expenses (Boateng)		\$1,617	
	2. To record retirement associated with capitalized item (Boateng)		-\$809	
P-16	Treatment and Disposal Equipment	373.000		\$0
	1. To		\$0	
P-20	Office Computer & Equipment	391.100		-\$348
	1. To remove expense item related to CUSI (Boateng)		-\$348	
Total Plant Adjustments				<u>\$460</u>

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Depreciation Expense - Sewer

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2		TOTAL INTANGIBLE PLANT	\$0		\$0
3		SOURCE OF SUPPLY PLANT			
4	311.000	Structures & Improvements-SSP	\$55	2.50%	\$1
5		TOTAL SOURCE OF SUPPLY PLANT	\$55		\$1
6		COLLECTION PLANT			
7	352.200	Collection Sewers - Gravity -CP	\$3,122	2.00%	\$62
8	353.000	Other Collection Plant Facilities	\$40,900	2.00%	\$818
9	354.000	Services to Customers	\$4,000	2.00%	\$80
10		TOTAL COLLECTION PLANT	\$48,022		\$960
11		PUMPING PLANT			
12	363.000	Pumping Equipment	\$14,140	10.00%	\$1,414
13		TOTAL PUMPING PLANT	\$14,140		\$1,414
14		TREATMENT & DISPOSAL PLANT			
15	372.000	Oxidation Lagoon	\$753	4.00%	\$30
16	373.000	Treatment and Disposal Equipment	\$0	0.00%	\$0
17		TOTAL TREATMENT & DISPOSAL PLANT	\$753		\$30
18		GENERAL PLANT			
19	391.000	Office Furniture & Equipment	\$384	5.00%	\$19
20	391.100	Office Computer & Equipment	\$3,857	7.20%	\$278
21	395.000	Laboratory Equipment	\$87	5.00%	\$4
22	396.000	Power-operated Equipment	\$0	6.70%	\$0
23	397.000	Communication Equipment	\$0	6.70%	\$0
24		TOTAL GENERAL PLANT	\$4,328		\$301
25		Total Depreciation	\$67,298		\$2,706

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Accumulated Depreciation Reserve - Sewer

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
3		SOURCE OF SUPPLY PLANT					
4	311.000	Structures & Improvements-SSP	\$9			100.00%	\$9
5		TOTAL SOURCE OF SUPPLY PLANT	\$9		\$0		\$9
6		COLLECTION PLANT					
7	352.200	Collection Sewers - Gravity -CP	\$1,654			100.00%	\$1,654
8	353.000	Other Collection Plant Facilities	\$13,039			100.00%	\$13,039
9	354.000	Services to Customers	\$150			100.00%	\$150
10		TOTAL COLLECTION PLANT	\$14,843		\$0		\$14,843
11		PUMPING PLANT					
12	363.000	Pumping Equipment	\$13,402	R-12	-\$769	100.00%	\$12,633
13		TOTAL PUMPING PLANT	\$13,402		-\$769		\$12,633
14		TREATMENT & DISPOSAL PLANT					
15	372.000	Oxidation Lagoon	\$100			100.00%	\$100
16	373.000	Treatment and Disposal Equipment	\$0			100.00%	\$0
17		TOTAL TREATMENT & DISPOSAL PLANT	\$100		\$0		\$100
18		GENERAL PLANT					
19	391.000	Office Furniture & Equipment	\$191			100.00%	\$191
20	391.100	Office Computer & Equipment	\$3,561	R-20	\$164	100.00%	\$3,725
21	395.000	Laboratory Equipment	\$28			100.00%	\$28
22	396.000	Power-operated Equipment	-\$287	R-22	\$287	100.00%	\$0
23	397.000	Communication Equipment	-\$78	R-23	\$78	100.00%	\$0
24		TOTAL GENERAL PLANT	\$3,415		\$529		\$3,944
25		TOTAL DEPRECIATION RESERVE	\$31,769		-\$240		\$31,529

To Rate Base Schedule

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-12	Pumping Equipment	363.000		-\$769
	1. To record reserve associated with capitalized item previously in expenses (Boateng)		\$40	
	2. To record retirement associated with capitalized item (Boateng)		-\$809	
R-20	Office Computer & Equipment	391.100		\$164
	1. To reflect retirements through 12/31/13 (Rice)		\$841	
	2. To redistribute reserve on plant through 12/31/13 (Rice)		-\$364	
	3. To remove expense item related to CUSI (Boateng)		-\$313	
R-22	Power-operated Equipment	396.000		\$287
	1. To redistribute reserve on plant through 12/31/13 (Rice)		\$287	
R-23	Communication Equipment	397.000		\$78
	1. To redistribute reserve on plant through 12/31/13 (Rice)		\$78	
Total Reserve Adjustments				-\$240

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Revenue Schedule - Sewer

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$22,968	Rev-2	\$637	100.00%	\$23,605
Rev-3		Miscellaneous Revenues	\$363	Rev-3	\$437	100.00%	\$800
Rev-4		TOTAL ANNUALIZED REVENUES	\$23,331		\$1,074		\$24,405

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Revenue Adjustment Schedule - Sewer

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			\$637
	1. To Annualize Rate Revenues		\$637	
Rev-3	Miscellaneous Revenues			\$437
	1. To Annualize Miscellaneous Revenues		\$437	
Total Revenue Adjustments				<u>\$1,074</u>

Peaceful Valley Service Company
 Informal Rate Case
 SR-2014-0153
 Test Year Ending 09/30/2013
 Revenue Summary Schedule - Sewer

Line Number	A Description	Residential 5/8"		Total	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	176		176	
3	Bills Per Year	4			
4	Customer Bills Per year	704		704	
5	Current Customer Charge	\$33.53			
6	Annualized Customer Charge Revenues		\$23,605		\$23,605
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	0		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0			
12	Block 1, Number of Commodity Gallons per Unit	0			
13	Block 1, Commodity Billing Units	0.00			
14	Block 1, Existing Commodity Charge	\$0.00			
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Sewer Rate Revenues		\$23,605		\$23,605

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

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Miscellaneous Revenues Feeder - Sewer

Line Number	A Description	B Amount
1	Late Fees	\$490
2	Customer Request Turn on / Turn off	\$0
3	Sewer Inspection Fee	\$30
4	Returned Check Fee	\$0
5	Interest Income / Refunds	\$280
6	Total Miscellaneous Revenues	\$800

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Expense Schedule - Sewer

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Operator Salary	\$4,828	S-2	-\$101	100.00%	\$4,727
3		Electricity - Pumping & Treatment	\$1,735	S-3	-\$390	100.00%	\$1,345
4		Chemicals	\$0	S-4	\$152	100.00%	\$152
5		Testing	\$1,308	S-5	\$352	100.00%	\$1,660
6		TOTAL OPERATIONS EXPENSE	\$7,871		\$13		\$7,884
7		MAINTENANCE EXPENSES					
8		System Repairs and Maintenance	\$2,647	S-8	-\$1,499	100.00%	\$1,148
9		TOTAL MAINTENANCE EXPENSE	\$2,647		-\$1,499		\$1,148
10		CUSTOMER ACCOUNT EXPENSE					
11		Accounting Fees	\$1,205	S-11	\$110	100.00%	\$1,315
12		Billing & Collections	\$143	S-12	-\$96	100.00%	\$47
13		Office Supplies	\$264			100.00%	\$264
14		Postage Expense	\$406	S-14	-\$275	100.00%	\$131
15		TOTAL CUSTOMER ACCOUNT EXPENSE	\$2,018		-\$261		\$1,757
16		ADMINISTRATIVE & GENERAL EXPENSES					
17		Administration & General Salaries	\$4,360	S-17	\$159	100.00%	\$4,519
18		Telephone Expense	\$787	S-18	\$75	100.00%	\$862
19		Mileage Reimbursement	\$887	S-19	\$65	100.00%	\$942
20		Property & Liability Insurance	\$1,742	S-20	-\$623	100.00%	\$1,119
21		Other Miscellaneous Expenses	\$338	S-21	-\$311	100.00%	\$27
22		Rate Case Expense	\$0	S-22	\$157	100.00%	\$157
23		Dues, Donations & Memberships	\$453	S-23	-\$413	100.00%	\$40
24		Electricity - Office	\$473	S-24	\$30	100.00%	\$503
25		Bank Fees	\$12			100.00%	\$12
26		Employee Bonuses	\$75	S-26	-\$75	100.00%	\$0
27		TOTAL ADMINISTRATIVE AND GENERAL	\$9,127		-\$946		\$8,181
28		OTHER OPERATING EXPENSES					
29		MO DNR Fees	\$3,000			100.00%	\$3,000
30		PSC Assessment	\$1,769	S-30	-\$1,552	100.00%	\$217
31		Corporate Registration	\$15	S-31	-\$5	100.00%	\$10
32		Amortization - Engineering Fees	\$6,467	S-32	-\$5,174	100.00%	\$1,293
33		Depreciation	\$0	S-33	\$1,843	100.00%	\$1,843
34		TOTAL OTHER OPERATING EXPENSES	\$11,251		-\$4,888		\$6,363
35		TAXES OTHER THAN INCOME					
36		Real & Personal Property Taxes	\$5			100.00%	\$5
37		Payroll Taxes	\$667	S-37	\$40	100.00%	\$707
38		TOTAL TAXES OTHER THAN INCOME	\$672		\$40		\$712
39		TOTAL OPERATING EXPENSES	\$33,586		-\$7,541		\$26,045

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-2	Operator Salary			-\$101
	1. To annualize operator payroll expense (Sharpe)		-\$101	
S-3	Electricity - Pumping & Treatment			-\$390
	1. To annualize lift station electricity expense (Boateng)		-\$390	
S-4	Chemicals			\$152
	1. To annualize chemicals expense (Sharpe)		\$152	
S-5	Testing			\$352
	1. To annualize testing expense (Sharpe)		\$352	
S-8	System Repairs and Maintenance			-\$1,499
	1. To annualize repairs & maintenance expense (Boateng)		-\$1,499	
S-11	Accounting Fees			\$110
	1. To annualize accounting expense (Sharpe)		\$110	
S-12	Billing & Collections			-\$96
	1. To annualize billing and annualize collections expense (Sharpe)		-\$96	
S-14	Postage Expense			-\$275
	1. To annualize postage expense (Sharpe)		-\$275	
S-17	Administration & General Salaries			\$159

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize administration payroll expense (Sharpe)		\$159	
S-18	Telephone Expense			\$75
	1. To annualize phone reimbursement and phone expense (Sharpe)		\$75	
S-19	Mileage Reimbursement			\$55
	1. To annualize mileage reimbursement expense (Sharpe)		\$55	
S-20	Property & Liability Insurance			-\$623
	1. To annualize insurance expense (Boateng)		-\$623	
S-21	Other Miscellaneous Expenses			-\$311
	1. To remove miscellaneous fees not related to utility operations (Sharpe)		-\$311	
S-22	Rate Case Expense			\$157
	1. To normalize rate case expense over 5 years (Sharpe)		\$157	
S-23	Dues, Donations & Memberships			-\$413
	1. To remove dues & donations that provide no rate payer benefit (Sharpe)		-\$413	
S-24	Electricity - Office			\$30
	1. To annualize office electricity expense (Boateng)		\$30	
S-26	Employee Bonuses			-\$75
	1. To remove employee bonuses (Sharpe)		-\$75	

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-30	PSC Assessment			-\$1,552
	1. To annualize PSC assessment expense for FY 2015 (Sharpe)		-\$1,552	
S-31	Corporate Registration			-\$5
	1. To annualize corporate registration expense (Sharpe)		-\$5	
S-32	Amortization - Engineering Fees			-\$5,174
	1. To amortize initial engineering study fees by Integrity Engineering, Inc. over 5 years. (Boateng)		-\$5,174	
S-33	Depreciation			\$1,843
	1. To Annualize Depreciation		\$2,706	
	2. To remove CIAC Amortization. (Boateng)		-\$863	
S-37	Payroll Taxes			\$40
	1. To annualize payroll tax expense (Sharpe)		\$40	
	Total Expense Adjustments			-\$7,541

Agreement Attachment C

Rate Base Worksheet

Peaceful Valley Service Company
Informal Rate Case
SR-2014-0153
Test Year Ending 09/30/2013
Rate Base Required Return on Investment Schedule - Sewer

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$67,298 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$31,529</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$35,769
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	-\$42,419
	CIAC Amortization	\$12,409
	Materials & Supplies	\$575
5	Total Rate Base	<u>\$6,334</u>

Agreement Attachment D

Schedule of Depreciation Rates

Peaceful Valley Service Company

DEPRECIATION RATES

(SEWER)

SR-2014-0153

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	2.5%	44	-10%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
353	Other Plant Collection Plant Facilities	2.0%	50	0%
354	Services To Customers	2.0%	50	0%
362	Receiving Wells	4.0%	26	-5%
363	Pumping Equipment	10.0%	10	0%
372	Oxidation Lagoons	4.0%	40	-60%
373	Treatment & Disposal Facilities	5.0%	22	-10%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computer Equipment	7.2%	Over Accrued	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power-operated Equipment	6.7%	13	13%
397	Communication Equipment	6.7%	15	0%

Reviewed, 1/28/2014. The above are standard small company depreciation rates modified as a result of Staff's investigation of the Company's operation, records, and physical plant, and are dependent on the Company's implementation of the end of test year adjustments to the Company's plant in service and accumulated reserves as shown in the Staff accounting schedules.

Agreement Attachment E

Example Tariff Sheets

Name of Utility: Peaceful Valley Service Company

Service Area: Peaceful Valley Lake Estates, Gasconade County, MO

Rules Governing Rendering of Sewer Service

INDEX

Sheet No.

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

<u>Rule Number</u>	<u>Rule Subject</u>
10	1. Definitions
15	2. General Rules and Regulations
16	3. Limited Authority of Company Employees
17	4. Applications for Sewer Service
19	5. Inside Piping and Customer Service Sewer
22	6. Pressure Collecting Sewers
24	7. Improper or Excessive Use
26	8. Discontinuance of Service by Company
29	9. Interruptions in Service
30	10. Bills for Service
32	11. Extension of Collecting Sewers

* Indicates new rate or text

+ Indicates change

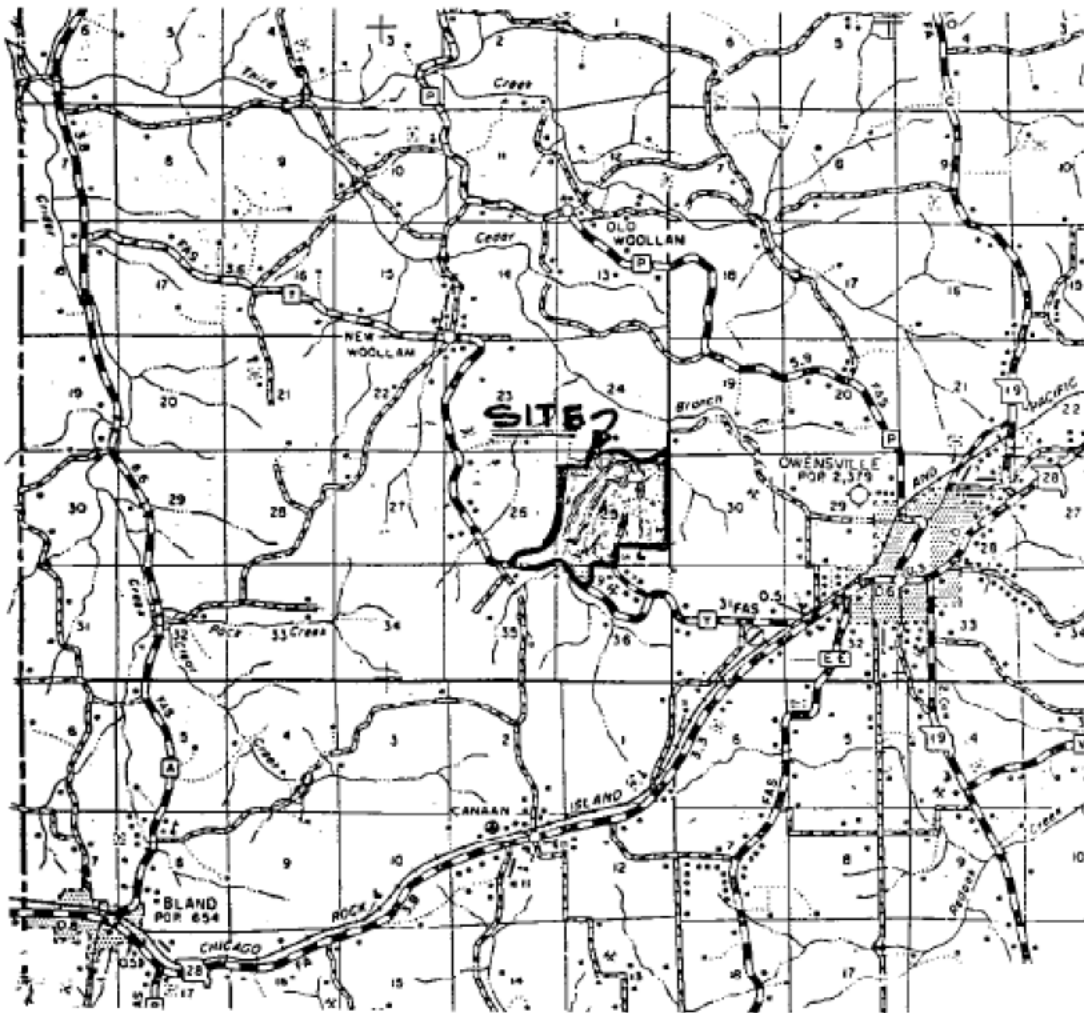
Issue Date: April 24, 2014
Month/Day/Year

Effective Date: June 15, 2014
Month/Day/Year

ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Drive, Owensville, MO 65066
Name and Title of issuing Officer Mailing Address

Name of Utility: Peaceful Valley Service Company

Service Area: Peaceful Valley Lake Estates, Gasconade County, MO

Rules Governing Rendering of
Sewer ServiceMap of Service Area

- * Indicates new rate or text
- + Indicates change

Issue Date: April 24, 2014
Month/Day/YearEffective Date: June 15, 2014
Month/Day/YearISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Drive, Owensville, MO 65066
Name and Title of issuing Officer Mailing Address

Name of Utility: Peaceful Valley Service Company

Service Area: Peaceful Valley Lake Estates, Gasconade County, MO

Rules Governing Rendering of
Sewer Service

Legal Description of Service Area

Beginning at the Northeast corner of Section 25, Township 42 North, Range 6 West of the Fifth Principal Meridian, Gasconade County, Missouri; thence southerly along the East line of said Section 25, 1,530 feet, more or less, to the Northwest corner of the Southwest Quarter of the Northwest Quarter of Section 30, Township 42 North, Range 5 West; thence easterly along the North line of said Southwest Quarter of the Northwest Quarter of Section 30, 1,320 feet, more or less to the Northeast corner of said Southwest Quarter of the Northwest Quarter; thence southerly along the East line of said Southwest Quarter of the Northwest Quarter, 1,320 feet, more or less, to the Southeast corner of said Southwest Quarter of the Northwest Quarter; thence westerly along the south line of said Southwest Quarter of the Northwest Quarter, 1,320 feet, more or less to the Southwest corner of said Southwest Quarter of the Northwest Quarter; thence southerly along the East line of said Section 25, Township 42 North, Range 6 West, 1,185 feet, more or less to the Southeast corner to the North One-Half of the Southeast Quarter of said Section 25; thence westerly along the South line of said North One-Half of the Southeast Quarter of Section 25, 2,640 feet, more or less to the Southwest corner of said North One-Half of the Southeast Quarter; thence southerly along the East line of the Southwest Quarter of said Section 25, 1,320 feet, more or less to an old stone at the Southeast corner of said Southwest Quarter; thence westerly along the South line of said Section 25, 1,317.36 feet to an old stone at the Southwest corner of the Southeast Quarter of the Southwest Quarter of said Section 25; thence southerly along the East line of the Northwest Quarter of the Northwest Quarter of Section 36, Township 42 North, Range 6 West, 658.04 feet to an iron pin; thence westerly with a deflection angle of 85 degrees 30 minutes 429.58 feet to an old iron pin on the northerly right-of-way line of State Highway "Y"; thence northwesterly along the northerly line of Highway "Y", 316.5 feet; thence westerly with a deflection angle of 11 degrees 18 minutes 35 seconds along the northerly line of Highway "Y", 50.99 feet; thence

* Indicates new rate or text

+ Indicates change

Issue Date: April 24, 2014
Month/Day/Year

Effective Date: June 15, 2014
Month/Day/Year

ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Drive, Owensville, MO 65066
Name and Title of issuing Officer Mailing Address

Name of Utility: Peaceful Valley Service Company

Service Area: Peaceful Valley Lake Estates, Gasconade County, MO

Rules Governing Rendering of Sewer Service

northwesterly with a deflection angle of 11 degrees 18 minutes 35 seconds along the northerly line of Highway "Y", 479.9 feet to a point of curvature; thence westerly along the northerly line of Highway "Y" along a curve to the left having a radius of 603.7 feet, 655.05 feet to a point of tangency; thence southwesterly along the northerly line of Highway "Y" 197.6 feet; thence northwesterly at a right angle to the last described course along the northerly line of Highway "Y", 10 feet; thence southwesterly at a right angle with the last described course along the northerly line of Highway "Y", 65.9 feet to a point of curvature; thence westerly along the northerly line of Highway "Y" along a curve to the right having a radius of 533.7 feet, 325.60 feet to point of tangency; thence northwesterly along the northerly line of Highway "Y", 348.9 feet to a point of curvature; thence southwesterly at a right angle to the last described course along the northerly line of Highway "Y", 10 feet; thence westerly along the northerly line of Highway "Y" along a curve to the left having a radius of 1,176.3 feet, 362.55 feet to a point of tangency; thence southwesterly along the northerly line of Highway "Y", 231.9 feet; thence westerly with a deflection angle of 5 degrees 42 minutes 40 seconds along the northerly line of Highway "Y", 50.25 feet; thence southwesterly with a deflection angle of 5 degrees 42 minutes 40 seconds along the northerly line of Highway "Y", 307.08 feet to the East line of a County Road (30 feet wide); thence northeasterly with a deflection angle of 106 degrees 46 minutes along the easterly line of said County Road, 145.75 feet to a point of curvature; thence northeasterly along the east line of the County Road along a curve to the right having a radius of 320 feet, 242.93 feet to a point a tangency; thence northeasterly along the East line of the County Road, 337.82 feet to a point of curvature; thence northeasterly along the easterly line of the County Road along a curve to the right having a radius of 515 feet, 238.18 feet to a point of tangency; thence northerly along the East line of the County Road, 23.20 feet to a point of curvature; thence easterly along the easterly line of the County Road along a curve to the right having a radius of 910 feet, 254.10 feet to a point of tangency; thence easterly along the easterly line of County

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Road 223.49 feet to a point of curvature; thence northeasterly along the easterly line of the County Road along a curve to the left having a radius of 350 feet, 253.49 feet to a point of tangency; thence northeasterly along the easterly line of the County Road, 139.79 feet to a point of curvature; thence northerly along the easterly line of the County Road along a curve to the left having a radius of 560 feet, 430.02 feet to a point of tangency; thence northerly along the easterly line of the County Road, 225.15 feet; thence northerly along the easterly line of the County Road with a deflection angle to the East of 6 degrees 41 minutes 20 seconds, 706.20 feet; thence northerly along the easterly line of the County Road with a deflection angle to the West of 1 degree 12 minutes 25 seconds, 622.82 feet; thence northerly along the easterly line of the County Road with a deflection angle to the West of 16 degrees 57 minutes 15 seconds, 537 feet; thence northeasterly along the easterly line of the County Road with a deflection angle of 10 degrees 30 minutes, 820 feet; thence northeasterly along the easterly line of the County Road with a deflection angle of 2 degrees 5 minutes to the East, 230 feet; thence northeasterly along the easterly line of County road with a deflection angle to the East of 5 degrees 15 minutes, 410 feet more or less to the South line of the North 25 acres of the Northwest Quarter of the Northwest Quarter of said Section 25, Township 42 North, Range 6 West; thence easterly along said South line of the North 25 acres of the Northwest Quarter of the Northwest Quarter, 730 feet more or less to the Southeast corner of said 25 acres; thence northerly along the East line of said Northwest Quarter of the Northwest Quarter, 792 feet more or less to the Northeast corner of said Northwest Quarter of the Northwest Quarter; thence easterly along the North line of the Northeast Quarter of the Northwest Quarter of said Section 25, 1,320 feet more or less to the Northeast corner of said Northeast Quarter of the Northwest Quarter; thence southeasterly with a deflection angle of 46 degrees 44 minutes 40 seconds, 552.75 feet; thence southeasterly with a deflection angle to the East of 28 degrees 41 minutes, 990 feet more or less to a point on the East line of the Northwest Quarter of the Northeast Quarter of Section 25, Township

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42 North, Range 6 West said point being 709.5 feet South of the Northeast corner of said Northwest Quarter of the Northeast Quarter; thence northeasterly with a deflection angle of 34 degrees 42 minutes, 594 feet; thence northeasterly with a deflection angle to the North of 65 degrees 30 minutes 40 seconds, 544.5 feet more or less to a point on the North line of the Northeast Quarter of the Northeast Quarter of said Section 25, said point being 643.5 feet East of the Northwest corner of said Northeast Quarter of the Northeast Quarter; thence easterly along the North line of Section 25, 676.5 feet more or less to the point of beginning containing 590 acres, more or less.

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Schedule of Service Charges

Connection Fee

At the time the Customer is connected to the Company's collecting sewer, a non-refundable charge of four hundred fifty dollars (\$450.00) shall be paid.

Late Charges

A charge of five dollars (\$5.00) or three percent (3%) per month times the unpaid balance, whichever is greater, will be added to delinquent accounts.

Returned Check Charge

A returned check charge of twenty-five dollars (\$25.00) per check will be due on all checks returned from the bank for insufficient funds.

Disconnection/Reconnection

If sewer Discontinuance of Service in accordance with Rule 8 is accomplished by physical disconnection, then the charge for reconnection after such disconnection by the Company shall be the total actual cost of disconnection and reconnection.

Inspection Fee

A fee of thirty-five dollars (\$35.00) will be charged for inspection of a new service sewer and connection to the collecting sewer.

Re-Inspection Fee

A fee of twenty dollars (\$20.00) will be charged for any re-inspection of the new service sewer that is not the fault of the Company.

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<u>Schedule of Service Charges (Continued)</u>

<u>Preliminary Estimate Fee for New Construction - Collecting Sewers, Lift Stations and Treatment Facilities</u>

A preliminary estimate fee will be charged in accordance with Rule 11 C. 1.

<u>Service Calls on Pump Units</u>

Preventative maintenance calls and service calls for repair or replacement of defective parts or parts damaged by lightning will be performed at no charge to the Customer.

<u>Service Calls</u>

Service calls at any time other than during normal business hours for any reason except disconnection for a ruptured Customer's service shall require a service charge of forty dollars (\$40.00).
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Rules Governing Rendering of Sewer Service

Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity that has applied for sewer service and/or an extension of collecting sewers along with additional plant facilities; two or more such entities may make one application for a sewer extension, and be considered one APPLICANT. An "ORIGINAL APPLICANT" is an APPLICANT who entered into any contract or agreement with the Company for an extension of collecting sewers and/or additional plant facilities, contributed funds or utility plant assets to the Company under the terms of the contract or agreement, and is eligible for refunds under the terms of the contract or agreement as additional Applicants connect to such extensions or plant facilities.
- B. "B.O.D" denotes Biochemical Oxygen Demand. It is the quantity of oxygen utilized in the biochemical oxidation of waste matter under standard laboratory conditions expressed in milligrams per liter.
- C. "C.O.D" denotes Chemical Oxygen Demand. It is the quantity of oxygen utilized in the chemical oxidation of waste matter under standard laboratory conditions, expressed in milligrams per liter.
- D. A "COLLECTING SEWER" is a pipeline, including force pipelines, gravity sewers, interceptors, laterals, trunk sewers, manholes, lampholes, and necessary appurtenances, including service wyes and saddles, which is owned and maintained by the Company, located on public property or on private easements, and used to transport sewage waste from the Customer's service connection to the point of disposal. A "PRESSURE COLLECTING SEWER" is a collecting sewer pipeline, including wyes, tees, and saddles, operated under pressure from pump units owned and operated by customers connected to the pipeline, and is sometimes referred to generically as a COLLECTING SEWER.
- E. The "COMPANY" is Peaceful Valley Service Company, acting through its officers, managers, or other duly authorized employees or agents.

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Rule 1 continued

- F. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for sewer service, or is receiving service from the Company, or whose facilities are connected for utilizing such service.
- G. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the Company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on available information, such as construction/occupancy permits, or water or electric service turn-on dates.
- H. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- I. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the Company not at the request of the Customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or turn-off of water service by the water utility at the request of the Company.
- J. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. See Rule 7 - Improper Waste or Excessive Use.
- K. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- L. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. pH is indicated on a scale reading from 1-14, with 7.0

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Rules Governing Rendering of Sewer Service

Rule 1 continued

being neutral, below 7.0 acid, and above 7.0 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.

- M. A "PUMP UNIT" is a self-contained facility consisting generally of a tank and an electric pump and may include liquid level controls, an alarm, check valves, which may either separate solid from liquid waste retaining the solid waste in the tank and pumping the liquid waste under pressure to collecting sewer pipelines, or may pump waste water including solids to a collecting sewer or a pressure collecting sewer. The PUMP UNIT is installed, owned and maintained by the Customer.
- N. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- O. A "SADDLE" is a fitting that connects the Customer's Service Sewer to the collecting sewer whether it be a gravity collecting sewer or a pressure collecting sewer; the saddle clamps around the collecting sewer pipeline into which pipeline a hole is cut, and the Service Sewer is connected to the Saddle thereby connecting it to the collecting sewer.
- P. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to "Seasonal Customers" during periods of seasonal absence or turn-off.
- Q. A "SERVICE CONNECTION" is the connection of a service sewer to the Company's collecting sewer either at the bell of a wye branch or the bell of a saddle placed on the barrel of the collecting sewer.
- R. A "SERVICE SEWER" or "CUSTOMER'S SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer, excluding service wyes

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or saddles. For Customers connected to a pressure collecting sewer and utilizing a pump unit, the portion of the Service Sewer between the pump unit and the collecting sewer is a pressurized portion of the Service Sewer. In addition to other parts and fittings this shall include a stop cock accessible to the Company for turn-off of sewage flow and a check valve to prevent backflow of waste-water under pressure in the pressure collecting sewer. The SERVICE SEWER is constructed, owned and maintained by the Customer.

- S. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- T. A "TEE" is a three-way one-piece pipe fitting in the shape of the letter "T" that is a part of the Collecting Sewer pipeline and to which the Customer's Service Sewer is connected.
- U. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the Customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the Company, and may include physical disconnection of the service sewer, termination or disconnection of water service by the water utility, or the Company's observation of non-occupancy of the unit served.
- V. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate Units for each single family or firm occupying same as a residence or place of business.

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Rule 2 GENERAL RULES AND REGULATIONS

- A. Every Customer, upon signing an application for service or accepting service rendered by the Company, shall be considered to have expressed consent to be bound by these rates and rules.
- B. The Company's rules governing rendering of service are set forth in the numbered sheets of this tariff. The rates applicable to appropriate class of service are set forth in rate schedules and constitute a part of this tariff.
- C. The Company reserves the right, subject to approval from the Missouri Public Service Commission, to prescribe additional rates or to alter existing rates or rules as it may deem necessary or proper.
- D. At the effective date of these rules, all new facilities, construction contracts and written agreements shall conform to these rules in accordance with the statutes of the State of Missouri and authority of the Missouri Public Service Commission. Pre-existing facilities that do not conform with these rules may remain, if said facilities do not cause any service problems and reconstruction is impractical.
- E. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these rules. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rule 3 LIMITED AUTHORITY OF COMPANY EMPLOYEES

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

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Rule 4 APPLICATIONS FOR SEWER SERVICE

- A. A written application for service, signed by the Customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, the Schedule of Service Charges, Rule 11 - Extension of Collecting Sewers, and other information required by these rules, must be received from each Customer. Said application must be filed in writing three (3) business days in advance stating the street, house number, name of the applicant, name of the property owner, and the time, at which connection is to be made. The Company shall have the right to refuse service for failure to comply with the rules herein, or if the Customer owes a past due bill not in dispute for sewer service at any location within the Company's service area. In any case where a collecting sewer extension or unusual construction or equipment expense is necessary to furnish the service, the Company may require a contract for service specifying a reasonable period of time for the Company to provide the service. If the Customer is a tenant, the Company shall notify the owner of the property or owner's property manager or other agent that the owner or property manager may be responsible for payment of the sewer service bill associated with the application.

- B. A prospective Commercial or Industrial Customer shall, upon request of the Company, present in writing to the Company a list of devices that will discharge to the collecting sewers, the amount and specifications of any discharge, and the location of any buildings. The Company will then advise the Customer of the form and the character of the wastewater collection facilities available. If a sewer extension as provided for in Rule 11 - Extension of Collecting Sewers will be necessary, or if the Customer will be required to own, operate, and maintain a pretreatment facility, the Customer will also be so advised.

- C. When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the Company, so that there will be a basis for sewer charges. The Company and Customer may agree to an estimated water use amount, on an

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interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.

- D. The Company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 11 - Extension of Collecting Sewers, unless in the Company's judgment such a collecting sewer would serve no other purpose and a service sewer may be constructed to serve the Customer's premises in a reasonable manner.
- E. A new service connection shall be authorized when all conditions in Paragraphs A., B., C., and D., above, and Rule 5 – Inside Piping and Customer Service Sewer, regarding application, construction and inspection provisions, are met.
- F. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by Commercial or Industrial Customers except upon written notice to and with the written consent of the Company.

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Rule 5 INSIDE PIPING AND CUSTOMER SERVICE SEWER

- A. The Customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer. The Customer shall notify the Company prior to cleaning or repairing the service sewer.
- B. When a service sewer is to be connected to the collecting sewer, the plumber shall advise the Company twenty-four three (3) business days in advance of when the connection is expected to be made so a representative of the Company can inspect the installation and connection. No backfill shall be placed until the work has been inspected by the Company. In the event the Customer or the Customer's agent shall damage a wye branch or saddle, or cause damage to the collecting sewer, then the Customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.
- C. Plumbing specifications of all governmental agencies having jurisdiction, and the Company's rules, in effect at the time of connection, must be met. The Company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.
- D. A separate and independent service sewer shall generally be required for every building. Exceptions are:
 - 1. When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer.
 - 2. When two or more buildings are a part of a complex that cannot be subdivided.

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- E. The service sewer shall be one of the following: ductile iron pipe, vitrified clay sewer pipe (VCP), or polyvinyl chloride pipe (PVC), ASTM specification or equal; or other suitable material approved by the Company. Only those jointing materials and methods that are approved by the Company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten (10) feet of a water main or water service pipe shall be constructed of ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications and on undisturbed earth or fill compacted to at least ninety-five percent (95%) proctor density. Fill may be non-organic soil or aggregate.
- F. The size and slope of the service sewer shall be subject to the approval of the Company, but in no event shall the diameter be less than four (4) inches. The slope of such four (4) inch pipe shall not be less than one-eighth (1/8) inch per foot.
- G. Whenever possible, the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three (3) feet of any bearing wall. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.
- H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test to meet all requirements of the Company.
- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.
- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the

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Company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.

- K. The connection of the service sewer to the collecting sewer shall be made at the wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of twelve inch (12") diameter or less and there is no properly located wye branch at a suitable location, a wye branch shall be installed at a location specified by the Company. If the collecting sewer is greater than twelve inches (12") in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the Company, and a saddle installed to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight. The Customer shall furnish the wye branch, tee branch, or saddle, as necessary, and such parts shall become a part of the Company's collecting sewer and owned by the Company after installation. Such parts may be obtained from the Company at the actual cost of parts.
- L. Any change in the location of an existing service connection and/or service sewer requested by the Customer shall be made at the Customer's expense.
- M. Company personnel may not work on piping or facilities not owned by the Company unless authorized by the Customer.

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Rule 6 PRESSURE COLLECTING SEWERS

- A. This rule applies to customers on pressure collecting sewers, and is not applicable to customers on a gravity collecting sewer. Other rules elsewhere herein not applicable specifically to gravity collecting sewers or gravity service sewers also apply, in addition to this rule.
- B. Any customer proposing to discharge domestic sewage, and to be connected to a pressure collecting sewer, shall install at his own expense within the lot, a pump unit of suitable capacity. All pump units and components utilized in a pump unit must be approved by the Company prior to installation. Installation costs of the pump unit, electrical wiring and components and service sewers between the dwelling and the pump unit and Company's collecting sewers shall be the responsibility of the Customer. Electricity costs for pump operation shall be the responsibility of the Customer.
- C. The Company will locate the point to which the service connection to the pressure collecting sewer will be made, and the Customer shall furnish materials for the connection. All taps to the pressure collecting sewer shall be done by the Customer, and subject to inspection by the Company. One connection shall not service more than one property.
- D. The pressurized portion of the service sewer shall be constructed of copper, ductile iron or PVC pressure pipe.
- E. A stop cock and a check valve shall be installed on the pressurized portion of the service sewer near the service connection. Said stop cock shall be in a location accessible to the Company so that it may be operated by either the Company or the Customer, and shall include a provision for locking by the Company. The stop cock will be furnished, owned and maintained by the Customer.

* Indicates new rate or text

+ Indicates change

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Month/Day/Year

ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Drive, Owensville, MO 65066
Name and Title of issuing Officer Mailing Address

Name of Utility: Peaceful Valley Service Company

Service Area: Peaceful Valley Lake Estates, Gasconade County, MO

Rules Governing Rendering of
Sewer Service

Rule 6 continued

- F. In addition to other methods outlined elsewhere within these Rules, specifically Rule 8, for discontinuance of sewer service, sewer service may be disconnected by the Company by locking the stop cock in the closed position. Service shall not be resumed again except upon payment of all delinquent charges, plus any applicable approved service charge to cover the costs of resuming service, in accordance with these Rules.
- G. The gravity service sewer from the building to the pump unit, the pump unit, and the pressurized portion of the service sewer from the pump unit to the collecting sewer shall be owned and maintained by the Customer.
- H. If a Customer does not timely undertake necessary repairs to a pump unit, and a failure of a pump unit is causing, or is reasonably expected to cause, a discharge of untreated sewage, then the Company may, at its option, discontinue sewer service as per Rule 8 – Discontinuance or Termination of Service, including exercising the provision of Rule 8F where thirty (30) day notice may be waived. Or, if practical, the Company may undertake repairs to the Customer's pump unit and bill the Customer for reasonably incurred expenses for such repairs.

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Rules Governing Rendering of
Sewer Service

Rule 7 – IMPROPER OR EXCESSIVE USE

- A. The following requirements for the use of sewer service provided by the Company shall be observed. Violation of the requirements will result in the discontinuance of service to the Customer, and the Customer may be required to comply with paragraph B., below.
- B. In the event that the Customer to be served proposes to discharge an abnormally high volume or strength of waste, the Company may require:
- C. The Customer to install a pretreatment facility, grease trap or other device on the premises, to prevent the exceeding of discharge limits, or other adverse impacts upon the Company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the Customer, and subject to approval and inspection by the Company.
- D. The Customer to enter into a special contract with the Company for treatment of the Customer's discharge, that could require an enlargement of the Company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities, in a form approved by the Missouri Public Service Commission with a rate applicable to the Customer to be included within this Schedule of Rates, Rules, and Regulations, that is fair and reasonable to both parties and so as not to constitute a burden upon the Company or the existing Customers of the Company.
- E. No Customer shall discharge or cause to be discharged any storm water, surface water, ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.
- F. Except as may be provided in Rule B.2., above, the Customer shall be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collection sewer:

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Rules Governing Rendering of Sewer Service

Rule 7 continued

1. Maximum temperature of 150 degrees Fahrenheit.
2. Maximum strength of four-hundred (400) parts per million Biological Oxygen Demand (B.O.D.).
3. A maximum of one-hundred (100) parts per million, by weight, any fat, oil or grease.
4. A maximum of twenty-five (25) parts per million, by weight, any soluble oils.
5. No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas.
6. No garbage that has not been properly shredded.
7. No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system.
8. No waste-water having a pH less than 5.0 or greater than 9.0, or having any other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the Company.
9. No waste-water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.

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Rules Governing Rendering of
Sewer Service

Rule 8 – DISCONTINUANCE OR TERMINATION OF SERVICE

- . The Company reserves the right of discontinuance of service for any of the following reasons:

1. For nonpayment of the sewer utility bill (see Rule 10); or
2. For unauthorized resale of sewer service; or
3. For an unauthorized service connection to the Company's collecting sewer;
or
4. For failure to comply with these Rules.

- A. Discontinuance of service may be accomplished, but not limited to, physical disconnection of the Customer's service sewer from the Company's collecting sewer. Discontinuance of sewer service for non-payment of a sewer bill may be accomplished either by physical disconnection or by discontinuance by turn-off of water service by the Customer's water utility at the request of the Company. In such cases where discontinuance is accomplished by turn-off of water service:

1. If sewer billing is combined with water billing, Customers will be notified by the water utility by the terms of its rules normally practiced for discontinuance of water service; or
2. If sewer billing is not combined with water billing, Customers will be notified by the terms of paragraphs F. and H., below, and not by those of any water utility.

- B. Discontinuance of service to a Customer for any reason as outlined in A., above, shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.

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Rules Governing Rendering of
Sewer Service

Rule 8 continued

- C. In the event of discontinuance of service by the Company for any reason as outlined in A., above, then any monies due the Company shall become immediately due and payable.
- D. The Company reserves the right of discontinuance of service to a Customer, or to refuse service to any applicant or for any unit to reasonably protect itself against fraud or abuse.
- E. Unless discontinuance is accomplished by turn-off of water service and discontinuance notice is provided by the water utility, then at least thirty (30) days prior to discontinuance of service, the Company will mail a written notice to the Customer by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission and a copy to the property owner if different than the Customer and if known by the Company. Said notice shall state the reasons for discontinuance of service, the amount of money owed if for a past due bill including the amount of any service charges owed, and that service may be discontinued at any time after the expiration of the notice period, provided satisfactory arrangements for continuance of the service have not been made by the Customer. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the Customer and the Missouri Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service. If service is provided to a multi-tenant building or complex, the Company will make an effort to notify tenants by door hangers or other type of notice of the possibility of discontinuance of service.
- F. Reconnection of any Customer after discontinuance of service by authority of this rule will be made subject to payment of the cost of reconnection.
- G. Where the owner of rental property is the Customer and has been notified of the

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Rules Governing Rendering of Sewer Service	
Rule 8 continued intent of disconnection, the tenants shall be given the opportunity in a reasonable and timely manner to pay delinquent bills in lieu of disconnection of service. H. Termination of service at the Customer's request may be accomplished at the expense of the Customer. If termination of service must be accomplished by physical disconnection, the Customer shall notify the Company of the date and time of the disconnection in writing at least five (5) days prior to the disconnection. If termination is accomplished by turn-off of water service, such notice shall be on or before the date of the water turn-off. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by turnoff of water service to that unit. The method used for termination of service shall be determined by the Company. * Indicates new rate or text + Indicates change	

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Rules Governing Rendering of
Sewer ServiceRule 9 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to limit sewer service in its collecting sewers at any time, in a reasonable and non-discriminatory manner, for the purpose of making repairs to the sewer system.
- B. Whenever service is limited for repairs, all Customers affected by such limitation will be notified in advance whenever it is practicable to do so. Every effort will be made to minimize limitation of service.
- C. No refunds of charges for sewer service will be made for limitations of service unless due to willful misconduct of the Company.

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Rules Governing Rendering of
Sewer Service

Rule 10 BILLS FOR SERVICE

- A. The charges for sewer service shall be at the rates specified in this tariff, which is on file with the Missouri Public Service Commission and at the Company's office. The point of assumption of sewer service shall be at the service connection. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A Customer who is or has been taking sewer service at one or more units connected to the collecting sewer shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the Customer in writing for service to be terminated, or until service is discontinued by the Company.
- C. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company, but failure to receive the bill will not relieve the Customer from the obligation to pay the same.
- D. Payments shall be made at the office of the Company or at a convenient location designated by the Company, or by mailing to the Company's mailing address.
- E. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations.
- F. The Company shall have the right to render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage. Bills shall have the due date indicated on the bill.
- G. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.

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Rules Governing Rendering of Sewer Service

Rule 10 continued

- H. Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of 21 days after rendition of the bill. Service may be discontinued after thirty (30) days written notice by certified mail return receipt requested from the Company as provided by Rule 8 - Discontinuance or Termination of Service, unless discontinuance of sewer service is accomplished by turn-off of water service and sewer billing is combined with water billing (see Rule 8 B. 1.). Delinquent bills are subject to a late charge as provided in the Schedule of Service Charges.
- I. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum.
- J. The owner of the property served will be held responsible for ultimate payment of a bill. If the customer is a tenant of rental property, copies of all notices of violations of the rules, or of disconnection of service shall also be sent to the owner of the property if the owner is known to the Company.

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Rules Governing Rendering of
Sewer Service

Rule 11 EXTENSION OF COLLECTING SEWERS

- A. Collecting sewers will be extended within the company's certificated service area, at the applicant's cost, if service is requested by the applicant at a location where facilities do not exist (the "applicant" is sometimes referred to in this rule as the "original applicant"). The applicant shall enter into a contract with the company. The applicant may choose to have the company perform all work under the terms and conditions of Paragraph C, following, or have a private contractor perform the work under the terms and conditions of Paragraph D, following. For purposes of this rule, an extension could include, in addition to a collecting sewer, one or more pump station or treatment plant facilities, as necessary to provide the service.
- B. The pipe used in making extensions shall be of a type and size which will be reasonably adequate for the area to be served. Such determination as to size and type of pipe shall be left solely to the judgment of the company. If the company desires a pipe size, lift station, treatment plant, or any other facility larger than reasonably required to provide service to the applicant, the additional cost due to larger size shall be borne by the company.
- C. The company will extend collecting sewers for the applicant under the following terms and conditions:
 - 1. Upon receipt of written application for service as provided in Rule 4, Applications for Service, the company will provide the applicant an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including reconstruction of existing facilities if necessary, and the direct costs associated with supervision, engineering, permits, and bookkeeping.
 - 2. The applicant shall enter into a contract with the company for the installation of said extension and shall tender to the company a contribution-in-aid-of-construction equal to the amount determined in Paragraph C (1) above, plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.

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Rules Governing Rendering of
Sewer Service

Rule 11 continued

3. If, as a result of reasonably unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the applicant shall pay the additional cost.
- D. When the applicant elects to construct an extension, the company will connect said extension to its existing collecting sewers under the following terms and conditions:
1. Applicant shall enter into a contract with the company which provides that the applicant construct said collecting sewers and/or other facilities to meet the requirements of all governmental agencies and the company's rules. Plans for the extension shall be submitted to the company for approval prior to construction. Applicant's choice of construction contractor is subject to approval by the company. Applicant shall contribute said facilities to the company with a detailed accounting of the actual cost of construction, and contribute to the company the estimated reasonable cost of the company's inspection.
 2. The company, or its representative, shall have the right to inspect and test the extension prior to connecting it to the existing collecting sewers and acceptance of ownership.
 3. Connection of the extension to existing company collecting sewers shall be made by, or under direct supervision of, the company or its representative.
 4. The company shall have the right to refuse ownership and responsibility for the sewer extension until applicant has met the contractual obligations as provided in Paragraph D (1).
- E. The cost to additional applicants connecting to the sewer contributed by the original applicant shall be as follows:
1. For a single-family residential applicant applying for service in a platted subdivision, the company shall divide the actual cost of the extension, including income tax impact if any, by the number of lots abutting said extension to

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Rules Governing Rendering of Sewer Service

Rule 11 continued

determine the per lot extension cost. When counting lots, corner lots which abut existing sewers shall be excluded.

2. For a single-family residential applicant requesting service to areas that are not platted in subdivision lots, the applicant's cost shall be equal to the total cost of the extension times 100 feet divided by the total length of the extension in feet.
3. For an industrial, commercial, or multi-family residential applicant, the cost will be equal to the amount calculated for a single-family residence in E (1) above or E (2) above, as appropriate, multiplied by a water usage factor. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.

F. Refunds of contributions shall be made to the original applicant as follows:

1. Should the actual cost of an extension constructed by the company under Paragraph C, or actual costs for inspection by the company under Paragraph D, above, be less than the estimated cost, the company shall refund the difference as soon as the actual cost has been ascertained.
2. During the first ten years after the extension is completed, the company will refund to the original applicant who paid for the extension monies collected from additional applicants in accordance with Paragraph E above.
3. The sum of all refunds to the applicant shall not exceed the total contribution, including income tax and inspection costs associated with the extension, which the applicant has paid.
4. If two or more entities are considered an original applicant, the refund shall be distributed to each entity based upon the percentage of the actual extension cost contributed by each entity.

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Rules Governing Rendering of
Sewer Service

Rule 11 continued

- G. Any extension made under this rule shall be and remain the property of the company in consideration of its perpetual upkeep and maintenance.
- H. The company reserves the right to connect additional extensions to a collecting sewer contributed by the applicant. The connection of new customers to such additional extensions shall not entitle the applicant to any refund.

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Agreement Attachment F

Billing Comparison Worksheet

PEACEFUL VALLEY SERVICE COMPANY

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>
\$33.53	\$36.85

current service charge is quarterly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 33.53
Total Bill	\$ 33.53

Proposed Rates

Customer Charge	\$ 36.85
Total Bill	\$ 36.85

INCREASES

Customer Charge

\$ Increase	\$3.32
% Increase	9.89%

Total Bill

\$ Increase	\$3.32
% Increase	9.89%

Agreement Attachment G

EMSU Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Unit

Small Company Rate Increase Request

Case Nos. SR-2014-0153 and WR-2014-0154

Peaceful Valley Service Company

Gary Bangert

The Engineering and Management Services Unit (EMSU) staff of the Missouri Public Service Commission (“Commission”) initiated an informal review of the customer service and business processes, procedures, and practices of Peaceful Valley Service Company (“Peaceful Valley” or “Company”) near Owensville, Missouri, located in Gasconade County, in December 2013. The review was performed in response to the Company’s request for a rate increase in Case Nos. SR-2014-0153 and WR-2014-0154, which was filed on November 20, 2013. This request is for increased sewer rates and no change in rates for water service. The Company is requesting an increase of \$93,840 in its annual sewer system operating revenues representing an approximate 139% 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 two recommendations:

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Develop and require a signed customer application prior to providing service as specified in the Company’s tariff. The Company’s customer application shall include the date, the customer’s signature, and a statement indicating that the customer agrees to abide by the Company’s rates, rules and regulations, and applicable state statutes. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case Nos. SR-2014-0153 and WR-2014-0154.
2. Evaluate and implement actions in compliance with Commission Rule 4 CSR 240-13.050 and the Commission-approved sewer and water tariffs that will reduce the number of delinquent customer accounts. The Company’s actions should ensure that

discontinuances of service are conducted in a manner that is consistent with the time frame communicated to customers. The review should also include an evaluation of whether the use of a collection agency would be cost-beneficial. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case Nos. SR-2014-0153 and WR-2014-0154.

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

Peaceful Valley was certificated by the Commission to provide sewer and water service in Gasconade County, Missouri, in December 1975. The Company provides sewer and water service to approximately 170 sewer customers and 181 water customers in its certificated area. In addition, the Company has about 340 water availability customers who have access to water services from Peaceful Valley. There has been minimal change in the number of customers over the past three years and little growth is anticipated.

The EMSU staff previously performed a customer service review of the Company in November 2008 in Case Nos. WR-2009-0145 and SR-2009-0146. This review resulted in a

written report and included recommendations for improvement in the areas of business operations, customer billing, credit and collections, and customer communications. Implementation actions that had not been completed at the time of this EMSU staff customer service review are noted in the section of this report titled Findings, Conclusions, and Recommendations.

Overview

Responsibility for Company operations is divided among three part-time employees. An office manager performs all business office functions, and an operations manager and back-up operations manager perform all outside operations activities. Company employees track the time they spend on sewer and water operations on a Daily Activity Sheet. This report is also used to log the mileage associated with performing outside operations and maintenance activities.

The business office for Peaceful Valley is located near Owensville, Missouri. Business office hours are Monday, Wednesday, and Friday from 9:00 a.m. to 1:00 p.m. Company personnel are also available 24/7 by telephone. Business office functions performed by the office manager 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 are conducted by the operations manager with assistance from the back-up operator. These activities include system checks, routine maintenance of the sewer and water system, taking water samples, and recording master water meter readings. The operations manager also responds to emergency customer calls associated with plant operations.

Customer Billing

The Company's tariffs provide the rates for sewer and water service. Sewer customers pay a flat fee of \$33.53 per quarter. Water customers pay a flat fee of \$29.24 per quarter. There is also a water tariff provision for an availability charge of \$8.16 per quarter. The availability charge is applicable to property owners when a water main is located adjacent to a lot or lots and no service line is connected to the property.

Peaceful Valley uses the Continental Utility Billing System software for accounting, billing, and to maintain customer records. Company personnel indicated that the quarterly bills are usually prepared during the last week of the month in a quarter and mailed on the first of the

month or the closest business day. Information on the bills communicates that bills are due on the 31st of the month and that a \$5.00 late fee will be assessed on accounts when payments are not received by the 31st. The post card bills used by the Company also include a small space to include short messages to customers.

Payment Remittance

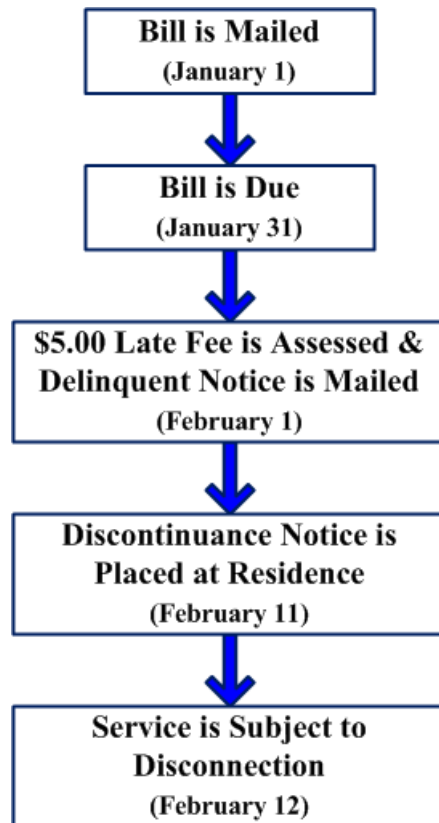
Customer payment options include cash, check, money order, or cashier's check. Most payments are received in the mail although, most days, one or two customers pay in person or use a mail slot in the door of the business office. Company personnel indicate that one-fourth to one-third of all mailed payments are initiated online through customer bill pay options at banks. Company personnel assert that bill payments are processed and recorded on the day they are received. Bank deposits are usually made on days payments are received. Account receipts are locked in a safe when deposits are not made.

Credit and Collections

Customers requesting sewer or water service are not required to complete a written application, and a security deposit is not required as a condition for providing service. Peaceful Valley personnel assert that returned checks have not been a problem. There have been two returned checks since January 2012. The Company's tariff provides for a \$25.00 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 January 1:

Delinquent Account Actions



As shown in the illustration, accounts that remain unpaid are subject to discontinuance approximately 11 days after they become delinquent. Upon discontinuance of service, customers must pay their account balance including the \$5.00 late fee, \$10.00 disconnect fee, and \$10.00 reconnect fee prior to getting their service restored, pursuant to the tariff. Company management represented to the EMSU staff that a service that is discontinued for nonpayment is usually reconnected the day the bill is paid in full, including the extra fees, unless it occurs very late in the day.

Peaceful Valley personnel indicate that over 175 customers are delinquent each quarter. Most delinquent accounts are from water availability customers although an average of 18 – 25 delinquent accounts is from customers with active sewer and water service. Although a personal contact is attempted 10 days after accounts become delinquent to provide notice of an impending discontinuance of service, discontinuance for nonpayment only occurs about once per year. Company personnel indicate that the last time the service of a customer was discontinued, they

were one month delinquent in paying their bill. Peaceful Valley personnel represent that delinquent water availability customers present the greatest collection problem. Company personnel indicate that even successful small claims court judgments have not resulted in payments from delinquent water availability customers. The Company does not use a collection agency to pursue the collection of amounts owed to Peaceful Valley. No sewer or water accounts have been written off since 2011.

Complaints and Inquiries

Customers with questions or concerns may call Peaceful Valley using the telephone number appearing on their bill. Company personnel assert that customer contacts are noted on a complaint or inquiry form. This form includes the date, customer address and account number, reason for the contact, action that was taken, and the date and name of the employee who resolved the issue. A review of Commission complaint/inquiry records since 2011 showed there have been no Commission complaints or inquiries from sewer or water customers.

Customer Communication

Customer bills are the primary means of communicating with customers, but customer letters have also been used to provide notice of rate increase requests. In addition, property association meetings are held where information related to sewer and water service has been discussed. Summary information for customers regarding the rights and responsibilities of the Company and its customers has been prepared.

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 two issues that require Company management's attention:

- Written Service Application
- Discontinuance of Service

Written Service Application

The Company has not prepared and does not collect a signed customer application for service from its customers. Rule 4(a) of the Company's sewer and water tariffs requires a signed application from any customer prior to the provision of service. The customer application should include the customer's signature, the date the document was signed, and a statement indicating that the customer agrees to abide by the Company's rates, rules and regulations, and applicable state statutes. A signed and dated customer application would provide Peaceful Valley more leverage to collect monies owed should the need arise.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and require a signed customer application prior to providing service as specified in the Company's tariff. The Company's customer application shall include the date, the customer's signature, and a statement indicating that the customer agrees to abide by the Company's rates, rules and regulations, and applicable state statutes. This recommendation should be completed within 30 days of the effective date of any Commission order issued in Case Nos. SR-2014-0153 and WR-2014-0154.

Discontinuance of Service

The Company does not discontinue the service of customers with delinquent accounts within the time frame that is communicated to nonpaying customers. Company personnel indicate that the last time the service of a customer was discontinued, they were one month delinquent in paying their bill. The Company is experiencing a substantial number of customers who are delinquent in paying their bills. Peaceful Valley personnel represent that over 175 customers are delinquent each quarter. Most delinquent accounts are from water availability customers, although an average of 18 – 25 delinquent accounts is from customers with active sewer and water service. The customer service review performed by the EMSU staff in November 2008 also identified delinquent-paying customers as a significant issue. The Company has not utilized a collection agency within the past three years and has not been very successful in collecting from nonpaying customers in spite of winning judgments in small claims court.

In the opinion of the EMSU staff, the practice of not discontinuing service within the time frame that is communicated to nonpaying customers is exacerbating the delinquent account problem. Most customers realize they can wait an extended period of time to pay their bill

because a discontinuance of service is rarely performed, and when a discontinuance is conducted, it is well after the date that was communicated to the customer. The substantial number of customers with delinquent accounts each quarter increases the workload of the office manager and operations manager. The office manager spends a significant amount of additional time preparing delinquent account notices, and the operations manager must follow up after 10 days by making a personal visit to residences in order to collect or provide notice of a possible discontinuance. Delays in collecting account balances also have a negative impact on the availability of Company revenue.

Commission rules and the Company's tariffs provide direction on Peaceful Valley's ability to discontinue the service of nonpaying customers. Commission Rule 4 CSR 240-13.050, which applies to water utilities, permits discontinuance of water service to nonpaying customers after providing 10-days written notice and then making a reasonable attempt to contact the customer at least 24 hours preceding a discontinuance. The Company's water tariff repeats a similar provision regarding the discontinuance of water service to nonpaying customers. Rule 7(f) of the Company's sewer tariff states "At least thirty (30) days prior to discontinuance of service, the company will mail a written notice to the customer, ..."

The implementation of cost-effective actions to reduce the number of delinquent customer accounts will provide important benefits. The office manager and operations manager 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 and the Commission-approved sewer and water tariffs that will reduce the number of delinquent customer accounts. The Companies actions should ensure that discontinuances of service are conducted in a manner that is consistent with the time frame communicated to customers. The review should also include an evaluation of whether the use of a collection agency would be cost-beneficial. This recommendation should be completed within 90 days of the effective date of any Commission order issued in Case Nos. SR-2014-0153 and WR-2014-0154.

Implementation Review

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

Agreement Attachment H

Water & Sewer Unit Memorandum

REPORT OF WATER AND SEWER UNIT
FIELD OPERATIONS AND TARIFF REVIEW

Water and Sewer Unit
Case No. SR-2014-0153 and WR-2014-0154
Peaceful Valley Service Company (Water)
David Spratt/James Russo

Introduction

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

Peaceful Valley Service Company (Company) obtained Certificates of Convenience and Necessity (CCN) to operate a water system and sewer system in Case Numbers 18,124 and 18,125, both effective April 18, 1975. In those cases, the Company acquired utility assets from Peaceful Valley Lake Corporation, which had obtained CCNs to provide water service in Case No. 16,511, and to provide sewer service in Case No. 16,512, both in 1968.

The Company provides service to approximately 181 water customers and 173 sewer customers. On November 15, 2013, the Company filed a request for an annual increase in sewer revenues of \$93,480. The Company did not request any increase in the water revenues. The Commission's Water and Sewer Unit Staff (Staff) performed an annual inspection on January 17, 2014 to examine the Company's facilities, operations, and recent upgrades made to the water system, as well as discuss the proposed upgrades to the waste water treatment. Staff's findings and suggested improvements are listed below. (Spratt)

Water System

The Company's water system consists of a single-well with no treatment or disinfection; a master meter located at the wellhead; a ground storage tank, and a distribution system. There are no customer meters.

The well is an eight-inch diameter steel cased well, which was drilled in 1966 to a depth of 1,025 feet. Water is drawn from the well by a 40 horsepower three-phase 440 volt submersible pump, which produces 350 gallons per minute. In 2013, the average daily production was 48,152 gallons per day, as per the Company's master meter records.

The distribution system is comprised of approximately 25,406 feet of PVC pipe. Almost half of the distribution system (10,430 feet) is six-inch PVC pipe. There is also 2,633 feet of four-inch PVC pipe, 4,075 feet of three-inch PVC pipe, and 8,270 feet of two-inch PVC pipe according to the Company's 2013 Annual Report.

The Company has an 88,000 gallon ground storage tank, which is sufficient to meet the Missouri Department of Natural Resources (DNR) design guide recommendation for the tank volume to

meet average day demand if the pump were not in operation such as due to failure or for maintenance, since pulling the submersible pump from the well is a day-long task. The 32-foot tall ground storage tank is located at the highest elevation and can maintain pressure to the majority of the system by gravity. Ten homes are located at approximately the same elevation as the storage tank, and the tank by itself cannot maintain adequate pressure for these homes. This was a source of customer complaints in the past, so the Company installed a booster station to maintain adequate pressure to these homes. The booster station uses a variable frequency drive to pump water as needed with maximum energy efficiency.

The system does not have any Customer meters. All of the customers receiving water service pay a flat rate for service. Residential and small commercial customers pay a rate of \$29.24 per quarter. There are 340 customers who own lots adjacent to a water main but do not have water service. These customers pay a water availability fee of \$8.16 per quarter as specified by the Company's tariff.

Staff has received one comment from a Customer who thinks the Company's proposed increase is too much, but Staff has not received any customer comments or complaints regarding the operations of the Company or the quality of service since the initial customer notice was mailed out on January 8, 2014. The system appeared to be operating smoothly at the time of the inspection. (Spratt)

Sewer System

The Company's sewer system currently consists of a single-cell lagoon with a capacity of 41,000 gallons per day, one lift station, and a collection system a portion of which is a gravity sewer system and a portion of which is a pressure collection system utilizing pump units at customers' premises. The gravity collecting sewers are composed of various sizes of PVC (25,480 feet), ABS plastic pipe (20,598 feet), and ductile iron (11,780 feet).

The system has one lift station that works using an air compressor, which was replaced in 2011, and two 1,000 gallon pressure tanks. The waste water collected from the homes at lower elevations around the lake flows to the lift station and then is pumped through 600 feet of ductile iron to the lagoon. The lagoon is fenced and well maintained. The facility is marked with the proper signage except for marking the outfall, which is easily identified. DNR has documented this in the past but has not marked it as a significant deficiency.

The Company performs an annual manhole inspection. The manholes in the gravity collection system are constructed of brick and are in need of repair as they are degrading below the surface allowing in a significant amount of ground water inflow and infiltration (I&I). A lagoon such as the Company presently utilizes is not particularly adversely affected by significant storm water infiltration, but mechanical treatment plants are much smaller and are more susceptible to problems including sludge washing into the receiving stream. The Company may need to address this matter if, in the future, it replaces the lagoon with a mechanical treatment facility.

The system is currently operating adequately with no violations of discharge permit limitations and no records of sewage overflows or storm water-related backups in customers' homes. However, DNR is requiring that the Company improve its sewage treatment because the U.S. Environmental Protection Agency (EPA) has established new water quality criteria, including ammonia discharge, for wastewater plants discharging into a receiving stream. DNR has adopted the EPA federal standards, and the Company's operating permit is subject to modification of discharge specifications and subject to changes when it is renewed in 2018. The single-cell lagoon may not be able to meet the new ammonia limits imposed. The schedule of compliance the Company received from DNR required an engineering evaluation by December 1, 2013, and an application for a construction permit by July 1, 2014. Integrity Engineering from Rolla performed the engineering analysis for the Company to submit to DNR as requested in the Schedule of Compliance as well as proposing options for the new waste water treatment. The Company is also working with other engineering firms to discuss potential options available to it to help it comply with the new DNR regulations. The initial estimated cost for the upgrades, as presently under consideration by the Company's engineer, is nearly two millions dollars. The Company is requesting an annual increase of \$93,840 to pay for the costs of the upgrades. Among its options, the Company has considered land application of the waste water in order to avoid discharge to a receiving stream, but any such arrangements with any nearby land owners adjacent to the lagoon do not seem to be workable. As such, a mechanical treatment facility with discharge meeting new regulations will likely be necessary. At this time there has not been any work performed beyond engineering study and reporting. DNR has established January 1, 2018, as the date to have construction complete for the new sewer treatment plant. (Spratt)

Tariff Review

Staff continues the process of updating water and sewer tariffs as necessary as individual companies file rate cases with the Commission. Peaceful Valley Service Company's current tariff became effective August 15, 1975. Staff will work with the Company to replace the current water and sewer tariffs with updated tariffs as part of this rate case.

A new rate schedule will be developed to reflect the new rates the customers will be required to pay based on the Company's current cost of service. In addition, Staff reviewed the existing miscellaneous service charges with the Company to recover the actual costs related to these services. Miscellaneous charges have been calculated by Staff to allow the Company to recover the actual costs related to these charges from the customers causing the event/cost. The rates proposed are reasonable for the costs incurred for the services and are consistent with the majority of other regulated water companies in the state of Missouri.

In the water tariff, Staff changed the connection fee charge from \$450 to actual cost. A service connection fee of \$25 and a water service line inspection fee of \$25 were added. The

turn-on and turn-off fees were raised from \$5 to \$15 each. A charge for service calls has been added, which shall be the actual cost but not less than \$40.

The sewer tariff also received some revisions. A late fee of \$5 or three percent was added to the sewer tariff service charges as well as a returned check charge of \$25. The inspection fee was increased from \$15 to \$35 with a re-inspection fee of \$20 if the first inspection is not satisfactory to the Company. The charge for physical disconnection of service was changed from \$100 to the actual cost. The charge for service calls that are not related to preventative maintenance has been increased from \$15 to \$40.

The new and updated tariffs for Peaceful Valley Service Company will be filed by the Company as part of this current rate case proceeding. The current PSC MO Number 2 tariff will be cancelled and replaced by PSC MO Number 3 tariff for water and PSC MO Number 4 for sewer. (Russo)

Rate Design

Staff reviewed the Company's current rate design in its investigation. The current rate design is a quarterly flat rate for single-family dwellings as there are no meters for recording water usage. Staff is not making any recommendations to change the Company's current rate design in this case but plans to revisit the rate design in any future rate case proceeding. (Russo)

Conclusion

Staff finds that the water system is in good physical condition, is maintained well, and operating properly at this time. The lagoon is in proper working order and is not releasing any untreated sewage into the receiving stream; however, DNR has imposed new recommended ammonia limits on the effluent which will be impossible to meet using a lagoon. The Company has come to the Missouri Public Service Commission to request a rate case to generate substantial enough revenues to replace the lagoon with a mechanical treatment plant so that they may comply with the new permit limitations prescribed by DNR. (Spratt)

WATER AND SEWER UNIT STAFF RECOMMENDATIONS:

- 1) Within ninety (90) days, the Company shall submit a list of alternative solutions for waste water treatment and/or disposal with proposed costs and limitations to the Manager of the Water and Sewer Unit.
- 2) Within ninety (90) days, the Company shall submit a schedule of events to the Manager of the Water and Sewer Unit describing how the chosen waste water treatment process will occur with a timeline of scheduled events..

- 3) The existing PSC MO No. 2 water tariff should be canceled and replaced with PSC MO No.3.
- 4) The existing PSC MO No. 2 sewer tariff should be canceled and replaced with PSC MO No.4.

Agreement Attachment I

Auditing Unit Recommendation Memorandum

MEMORANDUM

TO: Jim Busch
Jim Russo

THROUGH: Lisa Hanneken

FROM: Kofi Boateng
Sarah Sharpe

SUBJECT: Peaceful Valley Service Company
Case Nos.: SR-2014-0153
WR-2014-0154
Informal rate increase request

DATE: February 10, 2014

Peaceful Valley Service Company (Peaceful Valley or Company), is owned by the Peaceful Valley Property Owners Association, Inc. (POA). The Company provides water and sewer service in a resort community near Owensville, Missouri, which is located about 80 miles west of St. Louis in Gasconade County. On November 20, 2013, Peaceful Valley filed a rate increase request proposing an increase of \$93,840 in its annual sewer system operating revenues and no increase in its annual water system operating revenues under the Missouri Public Service Commission's (Commission or PSC) informal rate request procedure. The primary reason cited by the Company for the rate increase request for the sewer operation is the requirements by the Missouri Department of Natural Resources ("DNR") that it upgrade its treatment facilities.

The Commission first authorized the Company to provide regulated water and sewer utility services in December 1975. The POA acquired the Company in 1989. The Company's current customer rates for both systems were changed in May 2009, as a result of Case Nos. WR-2009-0145 & SR-2009-0146. The Company's water operations currently serve 179 residential customers and assess 431 water availability charges to customers and property owners located in its service territory. The Company's sewer operation presently serves 176 residential customers.

The Auditing Staff conducted a comprehensive review of the Company's books and records and determined that a \$965 decrease in water rates and a \$2,335 increase in sewer rates is necessary. The decrease in water rates would represent a 2.55% decrease in current water revenues, while the increase in sewer rates would represent a 9.57% increase in current sewer revenues. The Auditing Staff's review incorporated a test year ending September 30, 2013, with an update period ending December 31, 2013. Attached to this memorandum are the Staff's workpapers related to its review of the Company's operations. The following is a discussion of the Staff's findings in this case.

RATE BASE

PLANT IN SERVICE & ACCUMULATED DEPRECIATION

The Staff last performed a review of the Company's books and records in 2008. The Company has completed a steady amount of capital improvements which resulted in the net addition of \$21,862 of investment to its water system and \$10,245 of investment to its sewer system since the time of its last rate proceeding. The Staff included all improvements completed by the Company in its cost of service calculation, based upon its review of actual invoices and payments made by the Company.

At the end of December 31, 2013, total plant in serve for the sewer system was \$67,299, while depreciation reserve amounted to \$31,529. For the water system, total plant in service was \$136,311, with a depreciation reserve of \$42,567. Total Company plant in service as of the end of the period stood at \$203,610, with a reserve of \$74,096, resulting in a net plant balance of \$129,514.

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

The Auditing Staff determined that \$10,383 of CIAC related to the Company's water operations and \$42,419 of CIAC related to its sewer operations should appropriately be reflected in the cost of service calculations. The majority of the water related CIAC represents contributed water mains, while most of the sewer related CIAC is attributable to sewer main extensions and manholes that were contributed to the Company over the years. During the review, the Audit Staff discovered that the Company continues to record "tap on" fees as revenue, as it has historically done. Consistent with this treatment, the Company has recorded the associated cost of the installation of the tap on as an expense. The Staff treated all collected tap on fees as CIAC instead of revenue. Therefore, the Staff excluded from revenues all tap on fees recorded in the test year, and included in plant-in-service \$8,375 of tap on fees (\$4,375 for water and \$4,000 for sewer) that were recorded as revenues from 2009 through 2013 by the Company. Due to a lack of proper account classification by the Company and the current lack of records due to a past flooding incident at the Company's accountant's office, Staff has been unable to exactly identify all the costs related to tap on installation from vendor invoices. Staff, through discussion with the Company's operator, determined a realistic amount of tap on installation costs to include in plant-in-service. It is believed that these installation costs were incorrectly recorded on the Company's books as system repair expenses. Accordingly, adjustments were also made to reduce system repair expenses.

MATERIALS AND SUPPLIES (Rate Base)

Staff included in rate base \$629 related to water operations and \$575 related to sewer operations for materials and supplies. These amounts are to recognize inventory items currently on hand for repairs and maintenance of the systems.

RATE OF RETURN

Shana Atkinson, a member of the Commission Staff's Financial Analysis department, provided the Audit Staff with a recommended return on equity of 8.79%, which resulted in an overall rate of return of approximately 10.98%. The Auditing Staff factored up this return for income taxes and incorporated this result into the cost of service calculation.

REVENUES

WATER & SEWER REVENUES

Based current customer levels and current tariffed rates, Staff included in its cost of service calculations annualized water and sewer revenues of \$35,531 and \$23,605, respectively. Staff's annualized water revenues are based on the current level of customers and the current customer charge for each customer class. This annualized level of water revenues also includes water availability charges as well as collections for commercial spigots, all of which are under the Peaceful Valley Property Owners Association (PVPOA). Staff's annualized sewer revenues are based on current customer levels and the appropriate current customer charge for each customer class.

Water Availability Charge

The Company collects \$8.16 per lot of land every calendar year quarter as an availability charge. This charge is applicable where the Company has a water main located adjacent to a lot or lots in Peaceful Valley Lake Estates Subdivision and the property owner is subject to a contract agreement with the Company. This agreement states that the property owner will pay to the Company an availability charge until the water service line is actually connected to the property. At the time the service line is connected, the quarterly customer service charge as reflected in the Company's tariff will apply. Therefore, each lot owned in the subdivision, but not currently connected to the water system, is required to pay the \$8.16 quarterly rate.

In addition, there are several homes in the service area where the owner purchased one or more adjoining lot(s). In such instances, the owner may contact the Property Owner's Association and request that their lots be combined; however, they can only combine two lots for purposes of eliminating the water availability charge. In this situation, the customer will only pay for water and sewer service and not pay for an availability charge. As of the end of Staff review, there were a total of 431 active water availability customers that the Company will charge \$8.16 every quarter. As it has done in the Company's past rate cases, Staff included these availability charges in its revenue requirement calculations, which represented \$14,067 of the annual ongoing water revenues for the Company.

MISCELLANEOUS REVENUES

In addition to annualized customer revenues, the Staff included in its cost of service calculation other miscellaneous revenues related to the following items: Three Rivers

Electric Cooperative reimbursement, Capital One credit card cash back rewards, interest income earned in the Company's money market account, checking account, and Certificate of Deposit (CD), late fees, sewer inspection fees, customer request turn ons/offs, non-payment water disconnect/reconnection, and returned check fees.

EXPENSES

PAYROLL

The Company currently has three employees; one licensed operator, one operations and maintenance worker, and one office manager. The compensation package that the Company provides includes salary, mileage reimbursement related to utility business, and mileage benefits to employees for required continuing education classes and licensing classes. The company operator also currently receives a \$10 phone reimbursement allotment per month. All employees also receive a bonus of \$50 at Christmas. Staff has removed these bonuses which totaled \$150 during the test year. This treatment is consistent with previous rate cases and adequate compensation levels for the operator and secretary / bookkeeper are included in the salaries discussed below.

Operations Manager

Mr. Richard Pierce currently holds Class D licenses for water and wastewater, as well as a water distribution system III license. He is responsible for the daily operations of both the water and sewer systems. Mr. Pierce's daily duties include performing system checks, flushing the system, taking water samples, conducting system maintenance and repairs, completing various testing analysis, coordinating with contractors, procuring parts and equipment, maintaining logs, completing necessary reports, completing required continuing education, and submitting recommendations regarding major capital improvement needs. Mr. Pierce's work schedule averages approximately 17 hours per week. Mr. Pierce is available for emergencies and other duties on nights and weekends.

Currently Mr. Pierce receives \$13.50/hour for his services. Staff included an annualized salary level at his current rate, which resulted in an amount of \$5,920 for Mr. Pierce, exclusive of his phone reimbursement benefit which is discussed more fully in the telephone expense section. The Staff allocated 48% of this expense to sewer operations and 52% to the water system, based on Staff's analysis of the hourly payroll records for this employee.

Operations Assistant

Mr. Dale Kramme currently holds a DSI level 1 water license and during the test year attended classes in an attempt to earn his class D wastewater operator's license. Therefore, during the test year he received salary and mileage benefits to attend classes related to these licenses. As part of Staff's audit, it was discovered that Mr. Kramme had not obtained his Class D wastewater license and is no longer pursuing this license. Therefore, Staff has excluded the time and mileage related to the efforts to obtain this

license in its annualization. However, because Mr. Kramme does hold the DSI level 1 water license and is required to participate in continuing education classes in order to maintain this license, Staff included an annualized amount of time and mileage related to these classes in its on-going level of expense for Mr. Kramme's payroll. Mr. Kramme's current duties include acting as backup for the operations manager, completing readings for the lift station and well on the weekends, as well as assisting Mr. Pierce with larger operational duties. Mr. Kramme's schedule averages approximately 10 hours per week. Mr. Kramme is available for emergencies and other duties on nights and weekends.

Currently, Mr. Kramme receives \$12.50/hour for his utility related duties. Staff included an annualized salary level at his current rate, which resulted in an amount of \$3,406 for Mr. Kramme. The Staff allocated 48% of this expense to sewer operations and 52% to the water system, based on Staff's analysis of the payroll hourly records for this employee.

Office Manager

Ms. Loretta Hecklemann serves as the Company's secretary and bookkeeper. Ms. Hecklemann's duties include answering all phone calls, maintaining Company records and receipts, paying bills, performing customer billing and collection duties, interacting with customers, and interacting with the Company's operator and the Company's owners regarding managerial decisions. Mrs. Hecklemann's schedule averages approximately 14 hours per week.

The Auditing Staff included a rate of \$12.50/hour salary related to Ms. Hecklemann's water and sewer related duties, which resulted in \$9,038 of annualized payroll. The payroll was allocated equally to the sewer and water operations based on Ms. Hecklemann's payroll records for the test year.

PAYROLL TAXES

Staff included amounts for individual payroll taxes based on each employee's salary. Staff did not include an annualized amount related to the State Unemployment Tax Act or the Federal Unemployment Tax Act requirements as the Company does not currently have any current ongoing liability due for these items. Therefore, Staff included a total annualized payroll tax level of \$1,405, of which \$698 was related to water and \$707 was related to sewer.

MILEAGE EXPENSE

During the test year, the Company recorded \$1,727 of expense for mileage reimbursement for the use of personal vehicles by employees. Staff annualized this expense to \$1,845 to account for the decrease in the current IRS standard mileage reimbursement rate utilized by the Company and the increase in miles reimbursed for transporting water samples. Mileage is reimbursed for travel required for operating the system, transporting water samples, acquisition of supplies, banking and office needs,

and transportation to operators' education classes. Allocation of the \$434 related to this expense was equally 50% for the office manager's administrative duties. Allocation of the operations and maintenance amount of mileage reimbursement for Richard Pierce is 48% for water and 52% for sewer. The water allocation for Dale Kramme's mileage reimbursement is 52% and the sewer allocation is 48%.

SYSTEM REPAIRS & SUPPLIES EXPENSES

Staff included a \$1,395 normalized level for system repairs for the water operations and a \$1,148 normalized level for system repairs for the Company's sewer operations. As a result of the fluctuations in the system repair expense levels for both water and sewer system over the last several years, a 4-year average was adopted by the Staff to normalize on-going levels for this cost. This resulted in adjustments that increased the Company's water system repair expense by \$587, and reduced its sewer system repair expense by \$1,499.

Before arriving at the above system repair normalization adjustments, Staff made some adjustments to appropriately record certain items as investment, which the Company had previously recorded as expense items. This included tap on connection costs that have been booked to expense accounts.

The Staff included \$629 and \$575 annualized levels for supplies expenses for the water and sewer system, respectively.

ACCOUNTING FEES

The Company recorded \$2,410 of expense related to accounting fees during the test year. The Company pays these fees for the preparation of financial statements, filing of federal and state income tax returns, monthly payroll tax and withholding filings, and completion of the PSC annual report. On a total company basis, the Staff included \$2,630 of annualized expense that was allocated on an equal basis to the water and sewer operations.

ENGINEERING FEES (INTEGRITY ENGINEERING, INC.)

The Company retained Integrity Engineering, Inc. during the test year to conduct an engineering study of its wastewater treatment plant, as part of a DNR Draft Permit requirement. In view of this study, the Company expensed \$6,467 during the test year on the sewer facility improvements plan. Though the engineering firm has completed and submitted its initial report to the Company, Staff understands that the Company has contracted another independent firm to review and evaluate the recommendations contained in the initial study by Integrity Engineering, Inc. The Audit Staff proposes that the amount incurred for this study be amortized over a 5-year period for the purposes of this rate proceeding. Subsequent engineering study costs will be reviewed and considered for inclusion during the Company's next rate proceeding. The Auditing Staff

has included a normalized level of \$1,293, into the Company's cost of service calculation for this study.

ELECTRICITY EXPENSE

Three Rivers Electric Cooperative (Three Rivers) provides electricity to the Company for the management office, the lift station, and the well. The electricity bill for the management office is issued in the name of POA as the customer, and it shares the bill equally with Peaceful Valley. Based on actual metered billings, the water system accounts for roughly 60.63%, and the sewer system accounts for about 39.37% of the electrical expenses. On an annualized basis, the Staff included \$3,568 for water operations and \$1,848 for sewer operations. Audit Staff's recommendation as reflected in its current cost of service calculation for electric expense was based upon a review of three years of electric data. In addition, the Company received a reimbursement from Three Rivers during the test year which was taken into account in Staff's annualization of miscellaneous revenues.

PROPERTY LIABILITY INSURANCE EXPENSE

The Company obtains insurance from third-party insurance providers for protection against the risk of financial loss associated with unanticipated events or occurrences. Insurance policies currently in place at Peaceful Valley cover general and property liability, and employment related practices. Staff adjusted the Company's insurance expenses to annualize those expenses based on the most current premiums charged to the Company as of December 31, 2013. The Company's current policy covers the period from March 1, 2013 to March 31, 2014. It is not currently known if substantial changes in premiums are expected when the Company's policy is due for renewal in March 1, 2014.

RATE CASE EXPENSE

Subsequent to the end of the test year in this case, PVSC incurred expenses related to its rate case filing. To date, these expenses included the required customer notice, as well as additional employee hours incurred to process the case. Staff has normalized these expenses over a 5-year period which resulted in a level of expense of \$203 for water operations and \$157 for sewer operations.

PHONE AND RELATED EXPENSES

Service for the Company's office phone line, office fax line, and internet is provided by Fidelity Communications. The Company currently provides the Operator, Rich Pierce, with a \$10/month reimbursement for utilizing his personal cell phone for utility purposes. Staff has included an annualized amount to maintain the phone reimbursement as a component of annualized phone expense. Because there is no log to determine how many minutes are used specifically for water and specifically for sewer, the cost of the

phone reimbursement was allocated equally between water and sewer operations. In summary, on a total company basis the Company recorded \$1,574 related to its office phone, office fax, internet, and employee phone reimbursement during the test year. On a total company basis, the Staff included in its cost of service calculation a \$1,723 annualized level based on current rates and usage.

POSTAGE EXPENSE

During the test year the Company incurred \$811 for postage expense on a total company basis. The Staff included on a total company basis a \$761 annualized level of postage expense. The annualized level of postage includes the most recent increase in the price of postage that was effective as of January 25, 2014 and removes postage related to mailing of water samples, which is no longer being incurred by the Company. The Staff allocated \$631 to water operations and \$130 to sewer operations.

TESTING EXPENSE

The Missouri DNR charges the Company \$200 annually for water testing fees. Staff included this required expense of \$200 in its cost of service calculation for the water operations. As well, Staff included an amount of \$2 to account for the chemicals necessary to complete water sampling.

Lagoon testing is currently performed on a monthly basis by Environmental Services. During the test year, the Company paid \$1,308 in sewer testing expenses. However, Staff included a \$1,660 annualized level of sewer testing expense in order to reflect a full 12 months of expense and to include an approximate normalized amount for a W.E.T. test, which is required to be completed before the expiration of the Company's current sewer permit.

DNR FEES

During the test year the Company paid \$3,000 to DNR for their sewer operating permit fee. Staff included the \$3,000 DNR sewer permit fee in the cost of service calculation for the Company's sewer operations.

PSC ASSESSMENT

Staff included \$375 and \$217, which represent the current annualized levels of PSC assessment, in its cost of service calculation for water and sewer operations, respectively.

LICENSING AND PERMITS

The Missouri DNR provides an allotment of vouchers for the Company operators on an annual basis. After interviews with the Company operators, Staff has determined that no annualized amount should be included in rates for licensing and permit costs as the

vouchers provided by the DNR is sufficient for license renewal, permitting, and continuing education.

DUES, DONATIONS AND LOBBYING

During the test year, PVSC incurred costs related to its participation in various water and wastewater organizations, such as Missouri Water and Wastewater Conference, among others. In addition, the Company incurred fees for other items such as a service to assist with bill collection efforts. Staff has removed an amount of \$865 from the test year expense level related to lobbying and costs that are non-recurring. Staff's annualized level of ongoing costs for dues are \$228 for water operations and \$40 for sewer operations.

MISCELLANEOUS EXPENSE

The Company incurred \$675 of miscellaneous expenses during the test year, which Staff allocated \$60 to water operations and allocated \$27 to sewer operations. The Staff's adjustment of \$589 removes non-utility related purchases, since these items provide no ratepayer benefit.

OFFICE SUPPLIES

During the test year the Company recorded \$529 of office supplies expense. The Staff included this amount in its cost of service calculations for both the water and sewer operations, allocated equally between the two.

BILLING AND COLLECTIONS EXPENSE

During the test year, PVSC incurred \$143 for its water operations and \$143 for its sewer operations in expenses related to billing of its customers, as well as those related to collection efforts. Staff has included an annualized level of costs for these items, as well as adjustments to properly allocate these costs. This resulted in a total annualized level of \$265 for water operations and \$47 for sewer operations.

CHEMICALS

During the test year, the Company did not record any purchases for chemical expense. However, Staff included \$152 as a normalized level for chemical expense for sewer operations. The chemicals utilized in the Company's lift station were purchased in bulk outside the test year.

DEPRECIATION EXPENSE

The Staff included in its cost of service calculation depreciation expense of \$5,198 for the water system and \$2,650 for the sewer system. These annualized levels of depreciation expense are based on the original cost of depreciable plant and the depreciation rates that

were provided by Art Rice, of the Commission Staff's Engineering and Management Services Department.

EMERGING ISSUE

The Missouri Department of Natural Resources DNR conducted a stream survey of Peaceful Valley's wastewater facility on May 5, 2012, and reported sludge, odor and other problems at the Company's lagoon outfall. During the renewal of the Company's wastewater facility permit, DNR issued a draft permit with a new effluent limit for ammonia, and included a Schedule of Compliance (SOC) with a time frame for the Company to upgrade the wastewater facility. Within the SOC, the Company was given a 3-year timeframe to upgrade the facility to improve the receiving stream water quality, and was informed that the upgrade should include technology that is capable of meeting the new effluent limits for ammonia and nitrogen. The SOC requires the following:

1. **By December 1, 2013**, submit an engineering evaluation and plan for upgrading the facility. Alternatively, if the permittee chooses to eliminate the discharge by connection to another facility, submit a closure plan and schedule for eliminating the discharge.
2. **By July 1, 2014**, submit an application for a construction permit.
3. **By May 1, 2016**, complete construction and send a certificate for work completed. Submit an application to modify the permit.

Following issuance of the SOC, Peaceful Valley appointed Integrity Engineering, Inc. to provide engineering assistance for the sewer treatment improvements needed for compliance with Missouri DNR regulations, permit and the schedule of compliance outlined in the facility's draft permit. Integrity Engineering, Inc. issued its engineering study report in October 2013, to Peaceful Valley. On December 2, 2013, a copy of the engineering report was submitted to DNR. The Company has indicated that it is not in complete agreement with the recommendations contained within this engineering report and they expect to have another third-party firm to conduct further evaluation of the report.

The Company has expressed its inability to meet DNR's SOC deadlines due to lack of financial resources to issue an engineering contract; therefore, Peaceful Valley has requested a two-year extension to obtain its permit from DNR. Staff understands that the Company has obtained an extension for the permit until January 1, 2018, from DNR, but the Company is still required to submit an application for a construction permit by July 1, 2014. The Company is still working with DNR to get this deadline extended or waived. At this time, it is not known how DNR would respond to this latest request, and it is also not evident how and when the Company will be able to obtain the funds necessary to undertake this wastewater treatment improvement. The primary difference between the amount of increase the Company indicated was necessary in its rate request and the amount of Staff's rate increase recommendation is due to the fact that the Company took

into account the costs needed to complete its sewer project, as well as projected future maintenance costs, and Staff did not include any of those unrealized costs in its recommendation.

RECOMMENDATIONS

During its review, the Audit Staff became aware, that due to Staffing changes and lack of regulatory accounting experience of the Company's office manager, the Company had made minor errors in its bookkeeping in regards to allocation, billing and capitalization. Staff believes that these can be corrected going forward by working with the Company to ensure they understand the proper procedures and rules that apply to a regulated utility.

Therefore Audit Staff recommends that the Commission order the Company:

1. To reflect on its books and records the plant-in-service and depreciation reserve balances determined by Staff in the calculation of the Company's overall cost of service calculation at March 31, 2013. These balances will be used as the starting point for entries subsequent to that date. The Company shall be required to maintain its records regarding utility plant-in-service, depreciation reserves, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct system-specific cost of service analyses for future rate increase requests. This requirement includes recording plant retirements at the time that replacement plant items are put into service. The Company shall request guidance from Staff, if necessary, to complete this recommendation. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
2. To develop, implement and maintain records of all new construction connections. These records will, at a minimum, include the customer name, service address, date of connection, any applicable fees collected from the customer, as well as all expenses related to such connection. The Company shall request guidance from Staff, if necessary, to complete this recommendation. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
3. To maintain all of its financial records in accordance with the Commission's Uniform Systems of Accounts (USOA), pursuant to Commission Rule 4 C SR 240-61.020, in respect of the sewer system, and Rule 4 CSR 240-50.030 for the Water System, including records retention (4 CSR 240-61.010 for sewer operations; and 4 CSR 240-50.020 for Water system). The Company shall request guidance from Staff, if necessary, to complete this recommendation. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
4. To develop Continuing Property Records (CPR), pursuant to 4 CSR 240-61.010(2) for sewer system; and 4 CSR 240-50-020(1) for water system, for all of its Missouri utility plant-in-service. The Company shall request guidance from Staff, if necessary, to

complete this recommendation. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*

5. To verify that all current customers are being correctly billed for the service being provided. The Company shall request guidance from Staff, if necessary, to complete this recommendation. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*

Agreement Attachment J

Summary of Case Events

Peaceful Valley Service Company
SR-2014-0153
Summary of Case Events

Date Filed	November 20, 2013
Day 150	April 21, 2014
Extension?	None
If yes, why?	N/A
Amount Requested	\$93,840
Amount Agreed Upon	\$2,335
Item(s)/Dollar(s) Driving Rate Increase	Increase in operating expenses
Number of Customers	176
Return on Equity	8.79%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	WR-2014-0154
Status with Secretary of State	Current
DNR Violations	No Recent
Significant Service/Quality Issues	Company needs to replace sewer plant in order to meet DNR discharge requirements.

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Lisa Hanneken-Auditing Department

Derick Miles – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

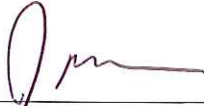
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

In the Matter of the Application of Peaceful)
Valley Service Company Request for) File No. SR-2014-0153
Increase in Water Operating Revenues)

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 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, H, and J to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A, E, F, H, and J to the Disposition Agreement; and (6) that the matters set forth in Attachment A, E, F, H, and J to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



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

Subscribed and sworn to before me this 7th day of July, 2014.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

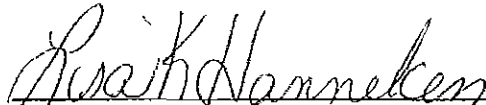
OF THE STATE OF MISSOURI

AFFIDAVIT OF LISA K. HANNEKEN

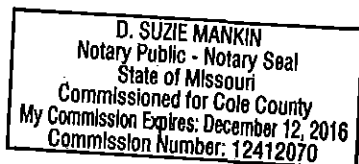
In the Matter of the Application of Peaceful) File No. SR-2014-0153
Valley Service Company Request for Increase)
in Sewer Operating Revenues) And
)
In the Matter of the Application of Peaceful) File No. WR-2014-0154
Valley Service Company Request for Increase)
in Water Operating Revenues)

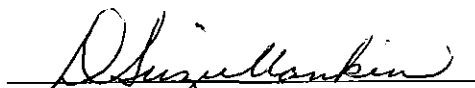
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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


Lisa K. Hanneken
Utility Regulatory Auditor V
Auditing Unit

Subscribed and sworn to before me this 9th day of July, 2014.




Notary Public

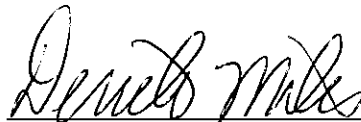
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
AFFIDAVIT OF DERICK MILES, P.E.

In the Matter of the Application of Peaceful) File No. SR-2014-0153
Valley Service Company Request for Increase)
in Sewer Operating Revenues) and
)

In the Matter of the Application of Peaceful) File No. WR-2014-0154
Valley Service Company Request for Increase)
in Water Operating Revenues)

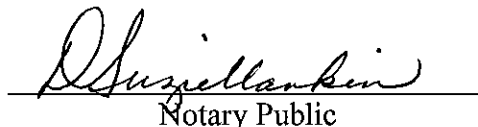
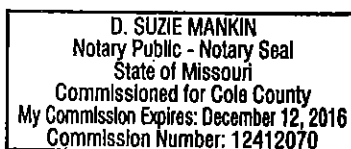
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW Derick Miles, P.E., being of lawful age, and on his oath states that as a Utility Regulatory Engineer II, in the Engineering & Management Services Unit of the Regulatory Review Division, Utility Services Department, he has knowledge of the matters as follows: (1) Arthur W. Rice, PE is a Utility Regulatory Engineer I in the Missouri Public Service Commission's Regulatory Review Division, Utility Services Department, Engineering & Management Services Unit; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, and *Company/Staff Agreement Regarding Disposition of Small Water 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.



Derick Miles, P.E.
Utility Regulatory Engineer II
Engineering & Management
Services Unit

Subscribed and sworn to before me this 9th day of July, 2014.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

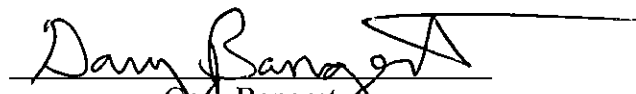
AFFIDAVIT OF GARY BANGERT

In the Matter of the Application of Peaceful) File No. SR-2014-0153
Valley Service Company Request for Increase)
in Sewer Operating Revenues) And

In the Matter of the Application of Peaceful) File No. WR-2014-0154
Valley Service Company Request for Increase)
in Water Operating Revenues)

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

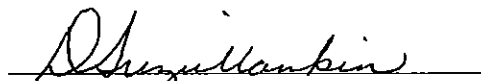
COMES NOW Gary Bangert, being of lawful age, and on his oath states the following:
(1) that he is a Utility Management Analyst III in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Engineering & Management Services Unit;
(2) that he participated in the Staff's 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 Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, and *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request*, ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment G to the Disposition Agreement; and (6) that the matters set forth in Attachment G 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 9th day of July, 2014.

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



Notary Public