

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

In the Matter of Midland Water Company,  
Inc., Request for a Rate Increase.

Case No. WR-2009-0167

**NOTICE OF AGREEMENT REGARDING DISPOSITION**  
**OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its Notice of Agreement Regarding Disposition of Small Water Company Revenue Increase Request (Agreement Notice) states the following:

1. On November 4, 2008, Midland Water Company, Inc. (Company or Midland) submitted to the Missouri Public Service Commission (Commission) a tariff filing transmittal letter (Request Letter), and accompanying revised tariff sheet, requesting the Commission allow an increase of \$2,026 in Midland's annual water system operating revenues, and establishing the instant case.

2. As noted in Midland's Request Letter, the changes contained in the subject revised tariff sheet are based upon a *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Disposition Agreement). As the Disposition Agreement was only entered into by Midland and Staff, the subject revised tariff sheet bears an effective date more than 45 days from the issue date as required by the small company rate increase procedure. As also noted in the Request Letter, the Disposition Agreement pertains to the small company rate increase request that Midland submitted to the Commission on May 8, 2008 (Tracking File No. QW-2008-0012).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced Disposition Agreement; various documents related to the Disposition Agreement; and, affidavits from Staff members that participated in the investigation of the Company's Request.

**WHEREFORE**, the Staff respectfully submits this Agreement Notice and the attached Appendix for the Commission's information and consideration in this case.

Respectfully Submitted,

/s/ **Shelley Syler Brueggemann**

Shelley Syler Brueggemann

Missouri Bar No. 52173

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360

Jefferson City, MO 65102

(573) 526-7393 (Telephone)

(573) 751-9285 (Fax)

[shelley.brueggemann@psc.mo.gov](mailto:shelley.brueggemann@psc.mo.gov) (e-mail)

#### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of this *Notice of Agreement Regarding Disposition of Small Water Company Revenue Increase Request* has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 6<sup>th</sup> day of November 2008.

/s/ **Shelley Syler Brueggemann**

# APPENDIX A

## STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2009-0167  
Tracking No. QW-2008-0012

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## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Amanda C. McMellen – Auditing Department

Rosella L. Schad – Engineering & Management Services Department

Gary R. Bangert – Engineering & Management Services Department

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

**AFFIDAVIT OF JAMES M. RUSSO**

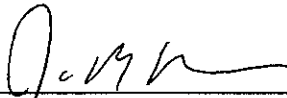
STATE OF MISSOURI     )

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CASE NO. QW-2008-0012

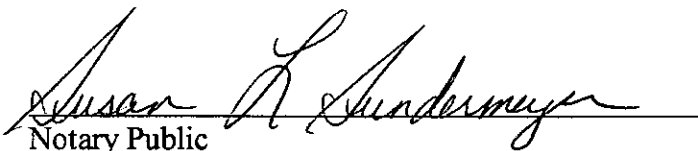
COUNTY OF COLE     )

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (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 was responsible for the preparation of the following *Company/Staff Agreement Regarding Disposition of Small Water and Sewer Company Rate Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, B, D & E to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Disposition Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.



James M. Russo  
Rate & Tariff Examination Supervisor  
Water and Sewer Department

Subscribed and sworn to before me this 4th day of November, 2008.

  
Notary Public

SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF AMANDA C. MCMELLEN**

STATE OF MISSOURI

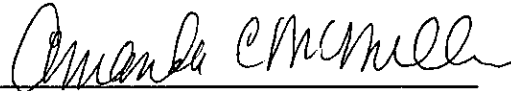
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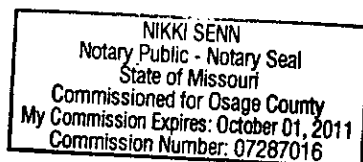
Case No. QW-2008-0012

**COMES NOW** Amanda C. McMellen, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Auditor IV in the Missouri Public Service Commission's Auditing Department; (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 Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment C to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment C to the Disposition Agreement; and (6) that the matters set forth in Attachment C to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.



Amanda C. McMellen  
Utility Regulatory Auditor IV  
Auditing Department

Subscribed and sworn to before me this 4<sup>th</sup> day of November, 2008.

  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF ROSELLA L. SCHAD, PE, CPA**

STATE OF MISSOURI

ss.

COUNTY OF COLE

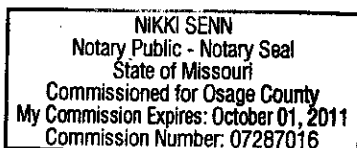
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Case No. QW-2008-0012

**COMES NOW** Rosella L. Schad, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Engineer I in the Missouri Public Service Commission's Engineering & Management Services Department; (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 Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment F to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment F to the Disposition Agreement; and (6) that the matters set forth in Attachment F to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.

Rosella L. Schad PE, CPA  
Rosella L. Schad, PE, CPA  
Utility Regulatory Engineer I  
Engineering & Management Services

Subscribed and sworn to before me this 4<sup>th</sup> day of November, 2008.



Nikki Senn  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF GARY R. BANGERT**

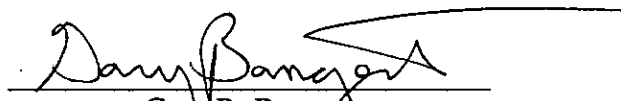
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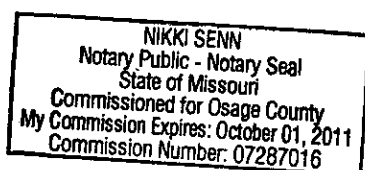
Case No. QW-2008-0012

COUNTY OF COLE )

**COMES NOW** Gary R. 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 Engineering and Management Services Department; (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 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 R. Bangert  
Utility Management Analyst III  
Engineering and Management  
Services Department

Subscribed and sworn to before me this 4<sup>th</sup> day of November, 2008.



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



# Company/Staff Disposition Agreement

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

**MIDLAND WATER COMPANY, INC.**

**MO PSC CASE NO. QW-2008-0012**

**BACKGROUND**

Midland Water Company, Inc. (Company) initiated the small company revenue increase request (Request) for water service that is the subject of the above-referenced Missouri Public Service Commission (Commission) tracking file by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure (Small Company Procedure). In its request letter, which was received at the Commission's offices on May 9, 2008, the Company set forth its request for an increase of \$8,747 in its total annual water service operating revenues for the affected service areas. In its request letter, the Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the 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 95 residential customers in the affected service area.

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

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel (OPC) various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

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

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

- (1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A, with those proposed tariff revisions bearing an effective date of December 19, 2008.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$2,026 needed to recover the Company's cost of service.
- (3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 15.06% equity for the Company and a return on equity of 11.55%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.
- (4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E.
- (6) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by the Staff in its revenue requirement analysis, will be the prescribed schedule of water plant depreciation rates for the Company.
- (8) That the Company will develop Continuing Property Records for all capital assets. These records will include, but not be limited to, original purchase price, description of asset, account number, and all additions and/or retirements associated with the asset. The Continuing Property Records will be developed and a copy of the

Continuing Property Records will be provided to the Manager of the Auditing Department by March 31, 2009.

(9) That the Company will maintain all of its financial records, including monthly financial records, in accordance with the Commission's approved 1973 Uniform System of Accounts (USOA), as revised July 1976.

(10) That the Company will allocate all items it currently books as miscellaneous equipment to specific USOA accounts.

(11) That the Company will capitalize cost as plant in service or charge the cost as expense according to the guidelines in USOA.

(14) That the Company will develop and maintain a monthly report of the actual gallons pumped versus the amount of gallons billed and provide a copy of this report to the manager of the Auditing Department by January 31, 2009.

(15) That the Company will develop and maintain a monthly report listing the usage by customer and provide a copy of this report to the manager of the Auditing Department by January 31, 2009.

(16) That the Company will immediately begin implementing separating the duties of bookkeeping from the duties of writing checks.

(17) That the Company will refund deposits in the future in accordance with the Company's filed tariff with the Commission.

(18) That the Company will contact and select a storage tank specialist and arrange for an inspection and a written report regarding the condition of the storage tank and estimates for any needed repairs, modifications and painting. The company will provide the manager of the Water & Sewer Department with a copy of this report and the Company's proposal to implement the items listed in the report by April 30, 2009.

(19) That the Company will implement a meter testing and/or meter replacement program in accordance with Commission rule 4 CSR 240-10.030(38). The Company will provide the manager of the Water & Sewer Department with a listing of the meters tested and/or replaced and the property address of the tested/replaced meter under this program by September 30 of each year.

(20) That the Company will implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment G no later than November 30, 2008.

(21) The Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions within 15 days of entry of the Commission approved Order. The notice will 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 will also send a copy to the Staff and the Staff will file a copy in the subject case file.

(22) That the Company acknowledges that the Staff will, and the OPC may, conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(23) That the Company acknowledges that the Staff or the OPC may file a formal complaint against it if the Company does not comply with the provisions of this Disposition Agreement.

(24) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated.

### **ADDITIONAL MATTERS**

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

Staff has completed a Summary of Case Events and has included the summary as Attachment H to this disposition Agreement.

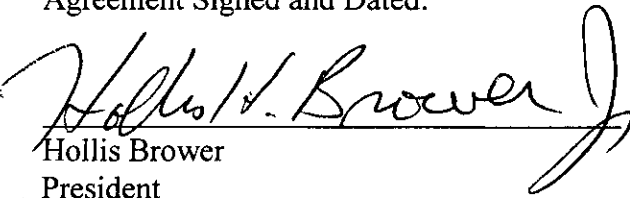
The Company acknowledges that the Staff will be filing this Disposition Agreement and the attachments hereto, in the case that will be opened when the Company files the proposed tariff revisions called for in the agreement. The Company also acknowledges that the Staff may make other filings in that case.

Additionally, the Company agrees that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be opened when the Company files the proposed tariff revisions called for in this Disposition Agreement, at any agenda meeting at which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

### **EFFECTIVE DATE AND SIGNATURES**


This Disposition Agreement shall be considered effective as of the date that the Company files the proposed tariff revisions required herein with the Commission.

Agreement Signed and Dated:

  
Hollis Brower  
President

Midland Water Company, Inc.

10/30/08  
Date

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

11/3/08  
Date

**List of Attachments**

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Audit Workpapers
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – EMSD Report
- Attachment H – Summary of Case Events

## Agreement Attachment A

### Example Tariff Sheets

FORM NO. 13 P.S.C.MO. No. 12<sup>nd</sup> Revised SHEET No. 4Canceling P.S.C. Mo. No. 11<sup>st</sup> Revised SHEET No. 4

Midland Water Company For Christian County, Missouri  
Name of Issuing Corporation Community, Town, or City

RATE SCHEDULE

Rate Schedule - - - - - General

Availability

Any metered Customer adjacent to the Company's distribution mains  
using standard water service.

Price Schedule

Monthly Minimum \$15.00 +  
(Includes 2,000 GALLONS)

Over 2,000 Gallons per month \$ 3.71 +

Taxes

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

Delayed Payment Clause

Bills will be made out and distributed at monthly intervals. Bills will be  
rendered net, bearing the last date on which payment is due; per Rule No. 10.

\* Indicates new rate or text

+ Indicates change

DATE OF ISSUE November 3, 2008DATE EFFECTIVE December 19, 2008

ISSUED BY Hollis Brower  
Name of Officer

Owner  
Title

700 n. Dobson, # 44 Chandler, AZ 8522  
Address



## Agreement Attachment B

### Ratemaking Income Statement

# MIDLAND WATER COMPANY

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 22,704
2	Other Operating Revenues *	\$ -
3	<b>Total Operating Revenues</b>	<b>\$ 22,704</b>
4	* See "Revenues - Current Rates" for Details	

### Cost of Service

Item	Amount
1 Pumping Equipment-Purchased Power	\$ 2,276
2 Water Treatment Expense-Chemicals	\$ 587
3 Water Treatment -Testing/Laboratory Fees	\$ 380
4 Repairs of Water Plant-Equipment	\$ 1,339
5 Maintenance Expense-Outside Labor	\$ -
6 Administration & General - Primary Operator	\$ 7,150
7 Office Supplies	\$ 219
8 Outside Services-Accounting	\$ 4,802
9 Uncollectible Expenses	\$ 253
10 Postage Expense	\$ 311
11 Rent Expense	\$ 1,434
12 Transportation Expense	\$ 1,506
13 State Permits/Fees	\$ 45
14 Regulatory Commission Expense	\$ 186
15 Bank Service Charges	\$ 68
16 Merchant Service Fees	\$ 53
17 Interest on Customer Deposits	\$ 100
18 <b>Sub-Total Operating Expenses</b>	<b>\$ 20,709</b>
19 Property Taxes	\$ 300
20 MO Franchise Taxes	\$ -
21 Employer FICA Taxes	\$ 575
22 Federal Unemployment Taxes	\$ -
23 State Unemployment Taxes	\$ -
24 State & Federal Income Taxes	\$ 489
25 <b>Sub-Total Taxes</b>	<b>\$ 1,364</b>
26 Depreciation Expense	\$ 4,822
27 Amortization of CIAC	\$ (4,592)
28 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 230</b>
29 <b>Return on Rate Base</b>	<b>\$ 2,427</b>
30 <b>Total Cost of Service</b>	<b>\$ 24,730</b>
31 <b>Overall Revenue Increase Needed</b>	<b>\$ 2,026</b>

# Agreement Attachment C

## Audit Workpapers

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Revenue Requirement

Line		9.12%
		Return
(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 26,612
2	Rate of Return	9.12%
*****		
3	Net Operating Income Requirement	\$ 2,427
4	Net Income Available (Sch 8)	\$ 804
*****		
5	Additional NOIBT Needed	\$ 1,623
6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 489
8	Test Year Current Income Tax	\$ 85
*****		
9	Additional Current Tax Required	\$ 404
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0
*****		
12	Additional Deferred ITC Required	\$ 0
*****		
13	Total Additional Tax Required	\$ 404
*****		
14	Gross Revenue Requirement	\$ 2,027
*****		

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Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

## Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 120,936
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 42,169
	-----
3 Net Plant in Service	\$ 78,767
Add to Net Plant in Service	
4 Cash Working Capital (Sch )	\$ 0
5 Materials and Supplies-Exempt	0
6 Prepaid Insurance	0
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Deposits	1,625
12 Contribution in aid of Construction	50,530
13 Deferred Income Taxes-Depreciation	0
	-----
14 Total Rate Base	\$ 26,612
	=====

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)		(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.000	Organization	\$ 2,106	\$ 0	100.0000	\$ 0	\$ 2,106
2	302.000	Franchises	0	0	100.0000	0	0
3	303.000	Miscellaneous Intangible Plant	0	0	100.0000	0	0
4		Total	\$ 2,106	\$ 0		\$ 0	\$ 2,106
Water Treatment Plant							
5	303.100	Land and Land Rights	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
6	311.000	Structures and Improvements	0	0	100.0000	0 P-10	0
7	332.000	Water Treatment Equipment	793	0	100.0000	0	793
8		Total	\$ 793	\$ 0		\$ 0	\$ 793
Source of Supply & Pumping Plant							
9	310.000	Land and Land Rights	\$ 2,000	\$ 0	100.0000	\$ 0	\$ 2,000
10	311.000	Structures and Improvements	2,310	0	100.0000	0	2,310
11	314.000	Wells and Springs	12,072	0	100.0000	0	12,072
12	325.000	Electric Pumping Equipment	26,191	(1,133)	100.0000	0 P-1	25,058
13		Total	\$ 42,573	\$ (1,133)		\$ 0	\$ 41,440
Transmission & Distribution							
14	342.000	Distribution Reservoirs & Standpipe	\$ 7,075	\$ 0	100.0000	\$ 0	\$ 7,075
15	343.000	Transmission and Distribution Mains	59,315	4,145	100.0000	0 P-2	63,460
16	345.000	Services	770	0	100.0000	0	770
17	346.000	Meters	5,292	0	100.0000	0	5,292
18	349.000	Other Transmission & Distribution	4,145	(4,145)	100.0000	0 P-3	0
19		Total	\$ 76,597	\$ 0		\$ 0	\$ 76,597

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
		General Plant					
20	391.000	Office Furniture & Equipment	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
21	392.000	Transportation Equipment	0	0	100.0000	0	0
22	393.000	Other General Equipment	0	0	100.0000	0	0
23	394.000	Tools, Shop and Garage Equipment	0	0	100.0000	0	0
24	396.000	Power-operated Equipment	0	0	100.0000	0	0
25	397.000	Communication Equipment	0	0	100.0000	0	0
26	398.000	Miscellaneous Equipment	0	0	100.0000	0	0
27	399.000	Other Tangible Property	0	0	100.0000	0	0
28		Total	\$ 0	\$ 0		\$ 0	\$ 0
*****							
29		Total Plant in Service	\$ 122,069	\$ (1,133)		\$ 0	\$ 120,936
*****							

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Adjustments to Total Plant

Adj No Description		Total Co Adjustment	Mo Juris Adjustment
*****			
Electric Pumping Equipment	P-1	\$ (1,133)	
*****			
1. Adjust test year to reflect actual amounts paid. (McMellen)		\$ (700)	
2. Adjust test year to remove amounts included in repairs expense. (McMellen)		\$ (433)	
*****			
Transmission and Distribution Mains	P-2	\$ 4,145	
*****			
1. Adjust test year to distribute to specific accounts. (Schad)		\$ 4,145	
*****			
Other Transmission & Distribution	P-3	\$ (4,145)	
*****			
1. Adjust test year to distribute to specific accounts. (Schad)		\$ (4,145)	
*****			
Structures and Improvements	P-10		
*****			
1.			



Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.000	Organization	\$ 2,106	0.0000	\$ 0
2	302.000	Franchises	0	0.0000	0
3	303.000	Miscellaneous Intangible Plant	0	0.0000	0
4		Total	\$ 2,106		\$ 0
Water Treatment Plant					
5	303.100	Land and Land Rights	\$ 0	0.0000	\$ 0
6	311.000	Structures and Improvements	0	2.5000	0
7	332.000	Water Treatment Equipment	793	2.9000	23
8		Total	\$ 793		\$ 23
Source of Supply & Pumping Plant					
9	310.000	Land and Land Rights	\$ 2,000	0.0000	\$ 0
10	311.000	Structures and Improvements	2,310	2.5000	58
11	314.000	Wells and Springs	12,072	2.0000	241
12	325.000	Electric Pumping Equipment	25,058	10.0000	2,506
13		Total	\$ 41,440		\$ 2,805
Transmission & Distribution					
14	342.000	Distribution Reservoirs & Standpipe	\$ 7,075	2.5000	\$ 177
15	343.000	Transmission and Distribution Mains	63,460	2.0000	1,269
16	345.000	Services	770	2.5000	19
17	346.000	Meters	5,292	10.0000	529
18	349.000	Other Transmission & Distribution	0	3.3000	0
19		Total	\$ 76,597		\$ 1,994

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
		General Plant			
20	391.000	Office Furniture & Equipment	\$ 0	13.0000	\$ 0
21	392.000	Transportation Equipment	0	0.0000	0
22	393.000	Other General Equipment	0	0.0000	0
23	394.000	Tools, Shop and Garage Equipment	0	100.0000	0
24	396.000	Power-operated Equipment	0	100.0000	0
25	397.000	Communication Equipment	0	100.0000	0
26	398.000	miscellaneous Equipment	0	100.0000	0
27	399.000	Other Tangible Property	0	100.0000	0
28		Total	\$ 0		\$ 0
*****					
29		Total Depreciation Expense	\$ 120,936		\$ 4,822
*****					

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.000	Organization	\$ 0	\$ 0	0.0000	\$ 0	\$ 0
2	302.000	Franchises	0	0	0.0000	0	0
3	303.000	Miscellaneous Intangible Plant	0	0	0.0000	0	0
4		Total	\$ 0	\$ 0		\$ 0	\$ 0
Water Treatment Plant							
5	303.000	Land and Land Rights	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
6	311.000	Structures and Improvements	0	0	100.0000	0	0
7	332.000	Water Treatment Equipment	236	0	100.0000	0	236
8		Total	\$ 236	\$ 0		\$ 0	\$ 236
Source of Supply & Pumping Plant							
9	310.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
10	311.000	Structures and Improvements	578	0	100.0000	0 R-1	578
11	314.000	Wells and Springs	5,789	(1,932)	100.0000	0 R-2	3,857
12	325.000	Electric Pumping Equipment	15,605	(1,219)	100.0000	0 R-3	14,386
13		Total	\$ 21,972	\$ (3,151)		\$ 0	\$ 18,821
Transmission & Distribution							
14	342.000	Distribution Reservoirs & Standpipe	\$ 2,829	\$ 0	100.0000	\$ 0	\$ 2,829
15	343.000	Transmission & Distribution Mains	14,977	0	100.0000	0	14,977
16	345.000	Services	350	0	100.0000	0	350
17	346.000	Meters	2,879	0	100.0000	0	2,879
18	349.000	Other Transmission & Distribution	2,077	0	100.0000	0	2,077
19		Total	\$ 23,112	\$ 0		\$ 0	\$ 23,112

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Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

## Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
		General Plant					
20	391.000	Office Furniture & Equipment	\$ (878)	\$ 878	100.0000	\$ 0 R-4	\$ 0
21	392.000	Transportation Equipment	0	0	100.0000	0	0
22	393.000	Other General Equipment	0	0	100.0000	0	0
23	394.000	Tools, Shop & Garage Equipment	0	0	100.0000	0	0
24	396.000	Power-operated Equipment	0	0	100.0000	0	0
25	397.000	Communication Equipment	0	0	100.0000	0	0
26	398.000	Miscellaneous Equipment	0	0	100.0000	0	0
27	399.000	Other Tangible property	0	0	100.0000	0	0
28		Total	\$ (878)	\$ 878		\$ 0	\$ 0
*****							
29		Total Depreciation Reserve	\$ 44,442	\$ (2,273)		\$ 0	\$ 42,169
*****							

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Cash Working Capital

Line No	Acct Description	Test Year Expenses	Revenue Lag	Expense Lag	Net Lag (C) - (D)	Factor (Col E/365)	CWC Req (B) x (F)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Operation and Maintenance Expense						
1	Cash Vouchers	\$ 20,709	0.0000	0.0000	0.0000	0.000000	\$ 0
2	Total Operation and Maintenance Expense	\$ 20,709					\$ 0
3	Total Taxes	\$ 0					\$ 0
4	Total Cash Working Capital Req						\$ 0

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Adjustments to Depreciation Reserve

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
*****		
Structures and Improvements	R-1	
*****		
1.		
*****		
Wells and Springs	R-2	\$ (1,932)
*****		
1. Adjust test year to reflect use of Commission approved depreciation rates. (Schad)	\$	(1,932)
*****		
Electric Pumping Equipment	R-3	\$ (1,219)
*****		
1. Adjust test year to reflect actual amounts paid. (McMellen)	\$	(298)
2. Adjust test year to remove amounts included in repairs expense. (McMellen)	\$	(43)
3. Adjust test year to distribute to specific accounts. (Schad)	\$	(878)
*****		
Office Furniture & Equipment	R-4	\$ 878
*****		
1.		
2. Adjust test year to distribute to specific accounts. (Schad)	\$	878

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Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
<b>Operating Revenues</b>							
1		Operating Revenues	\$ 24,990	\$ (2,287)	100.0000	\$ 0 S-1	\$ 22,703
2		Other Revenues	0	0	100.0000	0 S-2	0
3		Total	\$ 24,990	\$ (2,287)		\$ 0	\$ 22,703
<b>Operation &amp; Maintenance Expense</b>							
4		Fuel Purchased Power - Electricity	\$ 3,568	\$ (1,292)	100.0000	\$ 0 S-3	\$ 2,276
5		Repairs of Water Plant-Equipment	1,394	(55)	100.0000	0 S-4	1,339
6		Maintenance of Pumping Plant	0	0	100.0000	0 S-5	0
7		DNR Fees/Lab Fees	380	0	100.0000	0 S-6	380
8		Chemicals	793	(206)	100.0000	0 S-7	587
9		Uncollectible Expenses	480	(227)	100.0000	0 S-8	253
10		A&G Salaries-Primary Operator	7,150	0	100.0000	0 S-9	7,150
11		Transportation Expenses	1,560	(54)	100.0000	0 S-10	1,506
12		Office Supplies - Billing Cards	278	(59)	100.0000	0 S-11	219
13		Rent Expenses	1,200	234	100.0000	0 S-12	1,434
14		Postage Expenses	0	311	100.0000	0 S-13	311
15		Outside Services-Accounting	4,013	789	100.0000	0 S-14	4,802
16		Billing Expenses	290	(290)	100.0000	0 S-15	0
17		Insurance expense	0	0	100.0000	0	0
18		State Permits/Fees	0	45	100.0000	0 S-17	45
19		Regulatory Commission Expense	254	(68)	100.0000	0 S-18	186
20		Bank Service Charges	0	68	100.0000	0 S-19	68
21		Merchant Service Fees	0	53	100.0000	0 S-21	53
22		Interest on Customer Deposits	0	100	100.0000	0 S-22	100
23		Total	\$ 21,360	\$ (651)		\$ 0	\$ 20,709
<b>Depreciation Expense</b>							
24		Depreciation Expense	\$ 5,572	\$ 0	100.0000	\$ (750) S-24	\$ 4,822
25		Total	\$ 5,572	\$ 0		\$ (750)	\$ 4,822
<b>Other Operating Expenses</b>							
26		Tax Expense-Property	\$ 300	\$ 0	100.0000	\$ 0 S-25	\$ 300
27		Tax Expense-Payroll	547	28	100.0000	0 S-26	575
28		Amort of Contr in Aid of Construct	(4,592)	0	100.0000	0	(4,592)
29		Total	\$ (3,745)	\$ 28		\$ 0	\$ (3,717)

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
30		Total Operating Expenses	\$ 23,187	\$ (623)		\$ (750)	\$ 21,814
31		Net Income Before Taxes	\$ 1,803	\$ (1,664)		\$ 750	\$ 889
		Current Income Taxes:					
32		Current Income Taxes	\$ 286	\$ 0	100.0000	\$ (201) S-23	\$ 85
33		Total	\$ 286	\$ 0		\$ (201)	\$ 85
		Deferred Income Taxes					
34		Deferred Income Taxes	\$ 0	\$ 0	100.0000	\$ 0	\$ 0
35		Total	\$ 0	\$ 0		\$ 0	\$ 0
36		Total Income Taxes	\$ 286	\$ 0		\$ (201)	\$ 85
37		Net Operating Income	\$ 1,517	\$ (1,664)		\$ 951	\$ 804



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Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

## Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment
*****			
Operating Revenues	S-1	\$ (2,287)	
*****			
1. To adjust test year to reflect the Staff's annualized level. (McMellen)		\$ (2,287)	
*****			
Other Revenues	S-2		
*****			
1. To adjust test year to offset negative revenues.			
*****			
Fuel Purchased Power - Electricity	S-3	\$ (1,292)	
*****			
1. To adjust test year to reflect the Staff's annualized level of Electricity based on actual charges. (Mapeka)		\$ (159)	
2. Adjustment to reflect Staff's annualized level on loss related to loss on gallons pumped. (McMellen)		\$ (1,133)	
*****			
Repairs of Water Plant-Equipment	S-4	\$ (55)	
*****			
1. To adjust test year to reflect the Staff's 2 year normalized level. (Mapeka)		\$ (55)	
*****			
Maintenance of Pumping Plant	S-5		
*****			
1. To adjust test year to reflect the Staff's annualized level.			

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment
*****			
DNR Fees/Lab Fees	S-6		
*****			
1. To adjust test year to reflect the Staff's annualized level.			
*****			
Chemicals	S-7	\$ (206)	
*****			
1. To adjust test year to reflect the Staff's annualized level allocated over 5 affiliates + Capre Fair and Golden Oaks. (Mapeka)		\$ (206)	
*****			
Uncollectible Expenses	S-8	\$ (227)	
*****			
1. To adjust test year to reflect the Staff's 5 year normalized level of bad debts. (McMellen)		\$ (227)	
*****			
A&G Salaries-Primary Operator	S-9		
*****			
1. To adjust test year to reflect the Staff's annualized level.			
*****			
Transportation Expenses	S-10	\$ (54)	
*****			
1. To adjust test year to reflect the Staff's annualized level. (Mapeka)		\$ (54)	
*****			
Office Supplies - Billing Cards	S-11	\$ (59)	
*****			
1. To adjust test year to reflect the Staff's annualized level allocated to 4 companies. (Mapeka)		\$ (59)	

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
*****		
Rent Expenses	S-12	\$ 234
*****		
1. To adjust test year to reflect elimination of rent expense. (Mapeka)	\$	234
*****		
Postage Expenses	S-13	\$ 311
*****		
1. To adjust test year to reflect the Staff's annualized level. (Mapeka)	\$	311
*****		
Outside Services-Accounting	S-14	\$ 789
*****		
1. To adjust test year to reflect the Staff's annualized level. (Mapeka)	\$	789
*****		
Billing Expenses	S-15	\$ (290)
*****		
1. Adjust to eliminate billing expenses from test year. (Mapeka)	\$	(290)
*****		
State Permits/Fees	S-17	\$ 45
*****		
1. To adjust to reflect the Staff's annualized level of Department of Revenue's anual fees. (Mapeka)	\$	45
*****		
Regulatory Commission Expense	S-18	\$ (68)
*****		
1. To adjust test year to reflect the Staff's annualized level. (Mapeka)	\$	(68)

Midland Water Company  
Case: QW-08-012C  
12 Months Ending December 31, 2007

Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment
*****			
Bank Service Charges	S-19	\$ 68	
*****			
1. To adjust test year to reflect the Staff's annualized level allocated to 5 affiliates. (Mapeka)		\$ 68	
*****			
Merchant Service Fees	S-21	\$ 53	
*****			
1. To adjust test year to reflect the Staff's annualized level allocated to 5 affiliates. (Mapeka)		\$ 53	
*****			
Interest on Customer Deposits	S-22	\$ 100	
*****			
1. To adjust test year to reflect the Staff's annualized level. (Mapeka)		\$ 100	
*****			
Current Income Taxes	S-23		\$ (201)
*****			
1. To adjust current income taxes consistent with the adjusted net operating income before taxes.			\$ (201)
*****			
Tax Expense-Property	S-25		
*****			
1. To adjust test year to reflect the Staff's annualized level.			

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Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment
*****			
Tax Expense-Payroll	S-26	\$ 28	
*****			
1. To adjust test year to reflect the Staff's annualized level including FUTA and SUTA. (Mapeka)		\$ 28	

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Income Tax

Line	Test Year	9.12% Return
(A)	(B)	
*****		
1 Net Income Before Taxes (Sch 8)	\$ 889	\$ 2,916
*****		
Add to Net Income Before Taxes		
2 Book Depreciation Expense	\$ 4,822	\$ 4,822
3 Total	\$ 4,822	\$ 4,822
Subtr from Net Income Before Taxes		
4 Interest Expense 1.7400 %	\$ 463	\$ 463
5 Book Depreciation Expense	4,822	4,822
6 Total	\$ 5,285	\$ 5,285
*****		
7 Net Taxable Income	\$ 426	\$ 2,453
*****		
Provision for Federal Income Tax		
8 Net Taxable Income	\$ 426	\$ 2,453
9 Deduct Missouri Income Tax 100.0 %	\$ 25	\$ 142
10 Deduct City Income Tax	0	0
11 Federal Taxable Income	401	2,311
12 Total Federal Tax	\$ 60	\$ 347
Provision for Missouri Income Tax		
13 Net Taxable Income	\$ 426	\$ 2,453
14 Deduct Federal Income Tax 50.0 %	\$ 30	\$ 174
15 Deduct City Income Tax	0	0
16 Missouri Taxable Income	396	2,280
17 Total Missouri Tax	\$ 25	\$ 142

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## Midland Water Company

Case: QW-08-012C

12 Months Ending December 31, 2007

## Income Tax

Line		Test Year	9.12% Return
	(A)	(B)	
	Provision for City Income Tax		
18	Net Taxable Income	\$ 426	\$ 2,453
19	Deduct Federal Income Tax	\$ 60	\$ 347
20	Deduct Missouri Income Tax	25	142
21	City Taxable Income	341	1,964
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 60	\$ 347
24	Missouri Income Tax	25	142
25	City Income Tax	0	0
26	Total	\$ 85	\$ 489
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
28	Deferred Repair Allowance	0	0
29	Deferred Tax Depreciation	0	0
30	Amort of Deferred Tax Depreciation	0	0
31	Amort of Repair Allowance	0	0
32	Amort of Deferred ITC	0	0
33	Deferred Unbilled	0	0
34	Total	\$ 0	\$ 0
35	Total Income Tax	\$ 85	\$ 489

Agreement Attachment D

Rate Design Worksheet



# MIDLAND WATER COMPANY

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 22,704
Agreed-Upon Overall Revenue Increase	\$ 2,026
Percentage Increase Needed	8.925%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 13.77	\$ 15.00	\$ 3.410	\$ 3.714

Agreement Attachment E

Billing Comparison Worksheet

# MIDLAND WATER COMPANY

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<b>\$13.77</b>	<b>\$15.00</b>	<b>\$3.410</b>	<b>\$3.714</b>

current service charge is monthly charge

usage rate is per 1,000 gallons used

### MONTHLY BILL COMPARISON

6,000 gallons/month usage

#### Current Rates

Customer Charge	\$ 13.77
Usage Charge	\$ 20.46
Total Bill	\$ 34.23

#### Proposed Rates

Customer Charge	\$ 15.00
Usage Charge	\$ 22.29
Total Bill	\$ 37.28

#### INCREASES

##### Customer Charge

\$ Increase	<b>\$1.23</b>
% Increase	<b>8.92%</b>

##### Usage Charge

\$ Increase	<b>\$1.83</b>
% Increase	<b>8.92%</b>

##### Total Bill

\$ Increase	<b>\$3.05</b>
% Increase	<b>8.92%</b>

## Agreement Attachment F

### Schedule of Depreciation Rates

**MIDLAND WATER CO.  
DEPRECIATION RATES**

(WATER)

QW-2008-0012

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	2.5%	40
314	Wells & Springs	2.0%	50
325	Electric Pumping Equipment	10.0%	10
332	Water Treatment Equipment	2.9%	35
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
345	Services	2.5%	40
346.1	Meters	10.0%	10
348	Hydrants	2.0%	50
391.1	Office Computer Equipment	20.0%	5

# Agreement Attachment G

## EMSD Report

**Engineering and Management Services Department  
Report on the Customer Service Operations  
at Midland Water Company  
QW-2008-0012**

Gary Bangert – September 10, 2008

Midland Water Company (Midland, Company) filed a rate increase request on May 9, 2008, for water service it provides in its Missouri service area near Nixa, Missouri. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Midland in July 2008. This customer service review was done in conjunction with the Company's rate increase request. Prior to on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations.

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and adequate service at the lowest possible cost, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were 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 also provide the Commission with information regarding the Company's customer service operations.

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

- Meter Reading
- Customer Billing
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

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

## **Overview**

Midland Water Company was certificated to provide water service in Missouri on September 2, 1992. The Company was purchased by the current owners in 2005. The Company provides water service to approximately 97 customers within its authorized service area. Midland's business office is located in Nixa, Missouri. Local business office hours are 8:00 – 5:00, Monday through Friday. A cell phone number is also provided, which gives customers 24-hour, 7-day access available to Company personnel in case of the need for an emergency contact.

Midland Water Company staffing in Missouri includes the president, a general manager, and a bookkeeper. Most outside plant functions are performed by the general manager with assistance from the president. Outside contractors are used occasionally for construction activity involving digging or electrical work. Monthly water tests are performed by Water Technology of the Ozarks in addition to some testing by the Department of Natural Resources. The president is also involved in policy development and general problem solving. The general manager's primary responsibilities include daily system checks, chlorination, reading meters, routine maintenance, and responding to customer emergency calls. The general manager spends approximately one week each month on work activity associated with Midland. The bookkeeper is responsible for business office functions including taking new service applications, entering meter readings, preparing and mailing customer bills, maintaining customer account records, and posting customer bill payments. The bookkeeper also responds to customer inquiries and complaints received by telephone or from customers who walk into the business office. The bookkeeper spends about 10 hours per week on Company work activities.

Company management anticipates minimal future growth in the number of customers it serves. Most applications for new service are from customers in existing homes.

## **Meter Reading**

The general manager reads all of the water meters within the last two days of the month. The meter route sheet includes the previous meter readings of customers that the general manager uses to verify the accuracy of current meter readings. The bookkeeper enters the meter readings into the computer and the bills are printed and mailed on the first day of the month. Company management stated that meter readings are never estimated. Inactive meters are always locked when customers move. Consequently, there has been no problem with theft of service. A master meter is located in the system and read every month. A monthly report is



produced enabling Company personnel to compare the quantity of water that is pumped with the amount that is billed to customers. Modern meter reading technology has been examined, but Company management has determined that a different system is not economically feasible give the small size of the water system.

### **Customer Billing**

The Company uses American Business software for its utility billing program to calculate and print the customers' bills. The accuracy of bills is verified by the bookkeeper when the bills are produced by checking the history of usage on each account. As previously mentioned all bills are printed and mailed on the first day of each month. Bills are due on the 20<sup>th</sup> of the month and considered delinquent on the 21<sup>st</sup> day of each month. There is no provision for a late payment charge in the Company's tariff.

Customers' water bills are based on a price schedule of \$13.77 for up to 2,000 gallons of usage. Over 2,000 gallons of usage, customers are charged \$3.41 per 1,000 gallons of usage.

### **Credit and Collections**

Customers typically come into the office to apply for service, although no standard application form is used. The bookkeeper requests the information from new customers that is necessary to set up the account in the billing system. Customer account records are maintained on the computer and backed up monthly; however, no fireproof storage is available to store critical customer account records. A \$75 deposit is required from all new customers. Deposits are returned, without interest, when customers move out of the Company's service territory. The bookkeeper responds to any questions new customers have about their water service including payment options; however, no written information about rights and responsibilities is provided to customers.

Customers may pay their bills using any of four payment options. Company personnel estimate that about 80% of customer payments are received through the mail. A small portion of these mailed payments are received through outside electronic payment providers where customers initiate payment transactions from their home computer. Company personnel indicated that approximately 15% of the customers bring their payment to the business office and about 5% pay with a credit card. There is no additional customer charge for using a credit card. Bill payments are never collected from customers in the field. Company personnel stated they rarely receive an insufficient funds check although a \$15 returned check fee is applied in that

situation. Bill payments are recorded into the billing system and processed daily. Bank deposits are made daily.

The Company has an established procedure for handling delinquent accounts. Bills are considered delinquent 21 days after rendition. A past due notice is mailed to delinquent customers on the 25<sup>th</sup> day. After 10 days, a door hang tag notice is presented allowing 24 hours before the water service is shut off. Company management stated that disconnections are only performed mid-week and customers are immediately reconnected after paying the past due amount plus a \$15 reconnection charge.

Few delinquent customers have their service disconnected because of nonpayment. Although 10 – 20 typically do not pay their bill until after the due date each month, there is usually less than one disconnection performed per month. Company management stated that no accounts are over 60 days past due and customers with past due amounts are usually in arrears for no more than \$20 - \$25. The Company does occasionally write off uncollectible accounts when someone moves and Company personnel are unable to communicate and obtain payment. There were six customer accounts written off in 2007 with account balances totaling approximately \$480. The Company does not use an outside collection agency.

### **Complaints and Inquiries**

Customers with questions or concerns may call the Company contact number appearing on the bill. Company personnel in the business office respond to customer calls and forward them to the appropriate individuals, as required. An emergency contact cell phone number is provided when customers call outside of business hours. Emergency calls are usually handled by the general manager or the president. Company personnel do not document the nature of complaints and inquiries that are received.

A review of Commission complaint/inquiry records for the past three years showed two customer contacts in 2006 and one in 2008. The two contacts in 2006 related to service quality and the one contact in 2008 was an inquiry.

### **Customer Communication**

Outside of monthly billings, the Company rarely communicates with its customers. Letters are used to notify customers about rate case activity.

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

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

- Bill Delinquency
- Written Service Applications
- Customer Deposits
- Interest on Customer Deposits
- Customer Rights and Responsibilities Documentation
- Fireproof Storage
- Complaint and Inquiry Documentation

#### **Bill Delinquency**

Customer bills are considered delinquent after 20 days. Payment terms stated on customer bills indicate that payment is due by the 20<sup>th</sup> of the month. Although past due notices are not mailed to delinquent customers until the 25<sup>th</sup> of the month, the bill indicates that customers would be delinquent on the 21<sup>st</sup> day of the month if they have not remitted payment.

The Company's tariff and Commission Rule 4 CSR 240-13.020(7) provide customers 21 days to pay before the bills are considered delinquent. Commission Rule 4 CSR 240-13.020(7) states:

A monthly billed customer shall have at least twenty-one (21) days and a quarterly billed customer shall have at least sixteen (16) days from the rendition of the bill to pay the utility charges, unless a customer has selected a preferred payment date in accordance with a utility's preferred payment date plan. . .

Changing the due date to the 21<sup>st</sup> of the month on customer bills would ensure compliance with the Company's tariff and the Commission's rule.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Modify the information on customers' bills to allow at least 21 days before bills are considered delinquent.*

#### **Written Service Applications**

The Company does not currently use a written service application when customers apply for service. Company personnel stated that most customers come into the business office to

apply for service. The bookkeeper notes the basic information that is needed to set up the account; however, a standard application form is not used. The Company's tariff, Rule 4(a), (Sheet No. 10) states:

A written application for service, signed by the customer, stating the type of service required and accompanied by any other pertinent information, will be required from each customer before service is provided to any unit. Every customer, upon signing an application for any service rendered by the Company, or upon taking of service, shall be considered to have expressed consent to the Company's rates, rules and regulations.

In addition to being required by the tariff, a signed and dated application from customers requesting service would provide useful documentation of the customers' agreement to the terms by which water service is provided.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and initiate use of a written service application that is used when new customers apply for service.*

### **Customer Deposits**

The Company does not determine whether new customers applying for service meet specific credit history criteria before charging a deposit and it does not return deposits until customers move out of the Company's service territory. The Company collects a \$75 deposit from every new customer that applies for service. The Company's tariff and Commission Rule 4 CSR 240-13 allow for a deposit, but only if the customer is unable to establish an acceptable credit rating. Commission Rule 4 CSR 240-13.030(1) (C) states that a customer has established an acceptable credit rating if they meet any of the following criteria:

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

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

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

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Evaluate whether new customers applying for service meet acceptable credit rating criteria before charging security deposits and return deposits with accrued interest to customers when they have established a satisfactory payment history as defined in Commission Rule 4 CSR 240-13.030.

### **Interest on Customer Deposits**

The Company does not apply 6% interest to security deposits that are returned to customers. As stated in the previous discussion, Commission Rule 4 CSR 240-13.030(4) (D) requires the Company to apply accrued interest when a security deposit is refunded. The Company's tariff, Rule 10(m), (Sheet No. 23) states that "Interest at the rate of 6% per annum compounded annually shall be payable on all deposits."

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Initiate the practice of applying 6% interest, as provided in the Company's tariff, to all security deposits that are returned to customers.

### **Customer Rights and Responsibilities Documentation**

The Company has not prepared a brochure documenting the rights and responsibilities of the Company and its customers. The development of such a brochure and its prominent display and availability to customers is required by Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information which in layman's terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. . . This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request.

The information available in a brochure would provide useful facts relating to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Company, Commission, and the Office of Public Counsel. An informational brochure would be a valuable educational resource for new and existing customers.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and distribute to all current and future customers a brochure specifying the rights and responsibilities of the utility and its customers.

### **Fireproof Storage**

Critical customer records and account data are not kept in fireproof storage. While customer billing system data is backed up monthly on a floppy disk, this data and other valuable customer account information is kept in file cabinets that are not fireproof.

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

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Acquire and utilize fireproof storage for critical customer records and account data.*

### **Complaint and Inquiry Documentation**

The Company does not keep a record of all complaints and inquiries that are received. Rules conveying customer contact documentation requirements that are applicable to water companies are contained in Commission Rule 4 CSR 240-13. In the section titled "Inquiries" of 4 CSR 240-13.040(5), it states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning: ... (B) The number and general description of complaints registered with the utility;

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

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and implement a process for documenting customer contacts and maintain this information for at least two years.*

## Agreement Attachment H

### Summary of Case Events

Midland Water Company, Inc.  
Summary of Case Events

Date Filed	May 9, 2008
Day 150	October 6, 2008
Extension?	Yes
If yes, why?	The Company had difficulty in gathering the financial records required for Staff's review.
Amount Requested	\$8,747
Amount Agreed Upon	\$2,026
Number of Customers	95
Rate of Return	9.12%
Return on Equity	11.55%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	None
Status with Secretary of State	Good Standing
DNR Violations	None
Significant Service/Quality Issues	None