

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

In the Matter of the Application of Peaceful	)	
Valley Service Company Request for	)	<u>Case No. WR-2014-0154</u>
Increase in Water 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*").

5. Staff filed *Notice* of that agreement and the *Company/Staff Disposition Agreement* on April 21, 2014.

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

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

8. 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.

9. 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.

10. 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.

11. 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 *Company/Staff Agreement*. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

12. The *Company/Staff Agreement* provides for a decrease of 2.55% or \$965 in operating revenues for the water system.

13. In addition, the *Updated Company/Staff Agreement* provides the agreed-upon net rate base of \$86,322 in the Company's water operating system.

14. 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).

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

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

WHEREFORE, the Staff submits this Notice of *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. WR-2014-0154

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

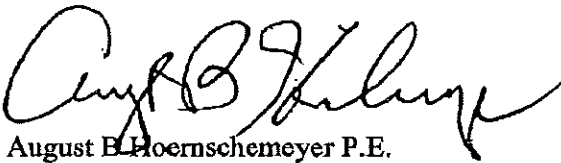
Re: Peaceful Valley Service Company Rate Increase

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 WATER COMPANY REVENUE INCREASE REQUEST**

PEACEFUL VALLEY SERVICE COMPANY

MO PSC FILE NO. WR-2014-0154

BACKGROUND

Peaceful Valley Service Company ("Company") initiated the small company revenue increase request ("Request") for water 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 \$0.00 in its total annual water service operating revenues (the Company did request an increase in its sewer 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 179 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 decrease of \$965 (2.55% decrease) subtracted from the level of previous revenues of \$37,787 results in overall revenues of \$36,822. 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 ending 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 \$86,322. 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 water plant depreciation rates for the Company;
- (6) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment E, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment F, also attached and incorporated by reference herein;
- (7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment E. The proposed tariff revisions will bear an effective date of June 16, 2014;
- (8) The current PSC MO Number 2 tariff will be cancelled and replaced by PSC MO Number 3, 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 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 CSR 240-50.030 for the water system, including records retention (4 CSR 240-50.020 for water 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 240-50-020(1) for water 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;
- (12) 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;
- (13) 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;
- (14) 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;
- (15) 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

(16) 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.

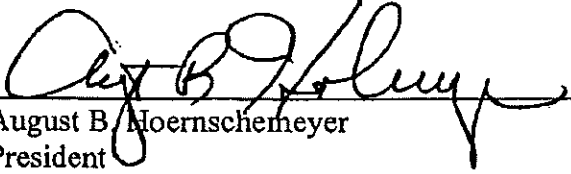
Staff has completed a Summary of Case Events and has included that summary as Attachment J to this Company/Staff Disposition Agreement.

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.

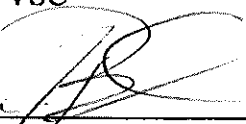
Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which this case is noticed to be 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.

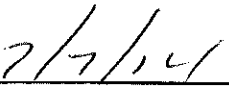
SIGNATURES

Agreement Signed and Dated:


August B. Moernschemeyer
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-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	35,531
2	Other Operating Revenues *	\$	2,256
3	Total Operating Revenues	\$	37,787
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Operators Salary	\$ 4,599
2 Electricity-Pumping	\$ 3,065
3 Water Treatment -Testing/Laboratory Fees	\$ 202
4 System Repairs & Maintenance	\$ 1,394
5 Accounting Fees	\$ 1,315
6 Billing & Collection	\$ 265
7 Office Supplies	\$ 264
8 Postage Expense	\$ 631
9 Administration & General - Salaries	\$ 4,519
10 Telephone & Internet Expense	\$ 862
11 Transportation Expense	\$ 904
12 Property & Liability Insurance	\$ 2,340
13 Rate Case Expense	\$ 203
14 Dues, Donations & Memberships	\$ 228
15 Electricity-Office	\$ 503
16 Bank Fees	\$ 12
17 Regulatory Commission Expense	\$ 376
18 Corporate Registration	\$ 10
19 Miscellaneous General Expenses	\$ 60
20 Sub-Total Operating Expenses	\$ 21,752
21 Property Taxes	\$ 5
22 MO Franchise Taxes	
23 Employer FICA Taxes	\$ 697
24 Federal Unemployment Taxes	
25 State Unemployment Taxes	
26 State & Federal Income Taxes	\$ 1,889
27 Sub-Total Taxes	\$ 2,591
28 Depreciation Expense	\$ 4,891
29 Interest Expense	\$ -
30 Amortization	
31 Sub-Total Depreciation/Interest/Amortization	\$ 4,891
32 Return on Rate Base	\$ 7,588
33 Total Cost of Service	\$ 36,822
34 Overall Revenue Increase Needed	\$ (965)

Agreement Attachment B

EMS Run

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2014-0154
Date Prepared: 2/13/2014



MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW

UTILITY SERVICES, AUDITING

STAFF ACCOUNTING SCHEDULES

PEACEFUL VALLEY SERVICE COMPANY

CASE NO. WR-2014-0154

SAINT LOUIS, MISSOURI

Feb-14

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$35,531			
Rev-3	Miscellaneous Revenues	(1)	\$2,256			
Rev-4	TOTAL ANNUALIZED REVENUES		<u>\$37,787</u>			
1	OPERATIONS EXPENSES	(2)				
2	Operators Salary		\$4,599	\$0	\$4,599	0.00%
3	Electricity - Pumping		\$3,065	\$0	\$3,065	0.00%
4	Testing Expense		\$202	\$0	\$202	0.00%
5	TOTAL OPERATIONS EXPENSE		<u>\$7,866</u>	<u>\$0</u>	<u>\$7,866</u>	
6	MAINTENANCE EXPENSES					
7	System Repairs & Maintenance		\$1,394	\$0	\$1,394	0.00%
8	TOTAL MAINTENANCE EXPENSE		<u>\$1,394</u>	<u>\$0</u>	<u>\$1,394</u>	
9	CUSTOMER ACCOUNT EXPENSE					
10	Accounting Fees		\$1,315	\$0	\$1,315	0.00%
11	Billing & Collections		\$265	\$0	\$265	0.00%
12	Office Supplies		\$264	\$0	\$264	0.00%
13	Postage		\$631	\$0	\$631	0.00%
14	TOTAL CUSTOMER ACCOUNT EXPENSE		<u>\$2,475</u>	<u>\$0</u>	<u>\$2,475</u>	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Administration & General Salary		\$4,519	\$0	\$4,519	0.00%
17	Telephone Expense		\$862	\$0	\$862	0.00%
18	Mileage Reimbursement		\$904	\$0	\$904	0.00%
19	Property & Liability Insurance		\$2,340	\$0	\$2,340	0.00%
20	Other Miscellaneous Expenses		\$60	\$0	\$60	0.00%
21	Rate Case Expense		\$203	\$0	\$203	0.00%
22	Dues, Donations & Memberships		\$228	\$0	\$228	0.00%
23	Electricity - Office		\$503	\$0	\$503	0.00%
24	Bank Fees		\$12	\$0	\$12	0.00%
25	Employee Bonuses		\$0	\$0	\$0	0.00%
26	TOTAL ADMINISTRATIVE AND GENERAL		<u>\$9,631</u>	<u>\$0</u>	<u>\$9,631</u>	
27	OTHER OPERATING EXPENSES					
28	PSC Assessment		\$376	\$0	\$376	0.00%
29	Corporate Registration		\$10	\$0	\$10	0.00%
30	Depreciation		\$4,891	\$0	\$4,891	0.00%
31	TOTAL OTHER OPERATING EXPENSES		<u>\$5,277</u>	<u>\$0</u>	<u>\$5,277</u>	
32	TAXES OTHER THAN INCOME					
33	Real & Personal Property Taxes		\$5	\$0	\$5	0.00%
34	Payroll Taxes		\$697	\$0	\$697	0.00%
35	TOTAL TAXES OTHER THAN INCOME		<u>\$702</u>	<u>\$0</u>	<u>\$702</u>	
36	TOTAL OPERATING EXPENSES		<u>\$27,345</u>	<u>\$0</u>	<u>\$27,345</u>	
37	Interest Expense	(3)	\$0	\$0	\$0	0.00%
38	Return on Equity	(3)	\$7,588	\$0	\$7,588	0.00%
39	Income Taxes	(3)	\$1,889	\$0	\$1,889	0.00%
40	TOTAL INTEREST RETURN & TAXES		<u>\$9,477</u>	<u>\$0</u>	<u>\$9,477</u>	
41	TOTAL COST OF SERVICE		<u>\$36,822</u>	<u>\$0</u>	<u>\$36,822</u>	
42	Less: Miscellaneous Revenues		<u>\$2,256</u>	<u>\$0</u>	<u>\$2,256</u>	0.00%
43	COST TO RECOVER IN RATES		<u>\$34,566</u>	<u>\$0</u>	<u>\$34,566</u>	

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
44	INCREMENTAL INCREASE IN RATE REVENUES		<u>-965</u>			
45	PERCENTAGE OF INCREASE		<u>-2.55%</u>			
46	REQUESTED INCREASE IN REVENUES		\$0			

- (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
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate Base Required Return on Investment Schedule - Water

Line Number	A Rate Base Description	B Dollar Amount	
1	Plant In Service	\$136,312	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$42,567	From Depreciation Reserve Schedule
3	Net Plant In Service	\$93,745	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$10,383	
	CIAC Amortization	\$2,331	
	Materials & Supplies	\$629	
5	Total Rate Base	\$86,322	
6	Total Weighted Rate of Return Including Income Tax	10.98%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	\$9,477	

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate of Return Including Income Tax - Water

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.94%	$B1 + B2$
4 Equity Tax Factor		1.2490	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		8.79%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		10.98%	$B4 \times B5$
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		10.98%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$8,927
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$8,927	\$1,339
\$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
			\$8,927	\$1,339
		Consolidated Tax Rate:		
		Average Tax Rate:		0.15

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Capital Structure Schedule - Water

Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$86,322	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	\$86,322	100.00%		8.790%

To PreTax Return Rate Schedule

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

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
3		SOURCE OF SUPPLY PLANT					
4	311.000	Structures & Improvements - SSP	\$55			100.00%	\$55
5	314.000	Wells and Springs	\$14,030			100.00%	\$14,030
6		TOTAL SOURCE OF SUPPLY PLANT	\$14,085		\$0		\$14,085
7		PUMPING PLANT					
8	321.000	Structures & Improvements - PP	\$20,980			100.00%	\$20,980
9	325.100	Submersible Electric Pumping Equipment	\$12,904			100.00%	\$12,904
10	325.200	High Service or Booster Pumps	\$15,685			100.00%	\$15,685
11		TOTAL PUMPING PLANT	\$49,569		\$0		\$49,569
12		WATER TREATMENT PLANT					
13		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
14		TRANSMISSION & DISTRIBUTION PLANT					
15	342.000	Distribution Reservoirs & Standpipes	\$52,633			100.00%	\$52,633
16	343.000	Transmission & Distribution Mains	\$14,140	P-16	-\$3,139	100.00%	\$11,001
17	345.000	Services	\$4,375			100.00%	\$4,375
18		TOTAL TRANS. & DISTRIBUTION PLANT	\$71,148		-\$3,139		\$68,009
19		GENERAL PLANT					
20	372.000	Office Furniture & Equipment	\$384			100.00%	\$384
21	372.100	Office Computer & Electronic Equipment	\$4,205	P-21	-\$348	100.00%	\$3,857
22	395.000	Laboratory Equipment	\$408			100.00%	\$408
23	396.000	Power-operated Equipment	\$0			100.00%	\$0
24	397.000	Communication Equipment	\$0			100.00%	\$0
25		TOTAL GENERAL PLANT	\$4,997		-\$348		\$4,649
26		TOTAL PLANT IN SERVICE	\$139,799		-\$3,487		\$136,312

To Rate Base & Depreciation Schedules

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-16	Transmission & Distribution Mains	343.000		-\$3,139
	1. To remove expense item previously capitalized (Boateng)		-\$3,139	
P-21	Office Computer & Electronic Equipment	372.100		-\$348
	1. To remove expense item related to CUSI (Boateng)		-\$348	
Total Plant Adjustments				<u>-\$3,487</u>

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2		TOTAL INTANGIBLE PLANT	\$0		\$0
3		SOURCE OF SUPPLY PLANT			
4	311.000	Structures & Improvements - SSP	\$55	2.50%	\$1
5	314.000	Wells and Springs	\$14,030	2.00%	\$281
6		TOTAL SOURCE OF SUPPLY PLANT	\$14,085		\$282
7		PUMPING PLANT			
8	321.000	Structures & Improvements - PP	\$20,980	2.50%	\$525
9	325.100	Submersible Electric Pumping Equipment	\$12,904	10.00%	\$1,290
10	325.200	High Service or Booster Pumps	\$15,685	6.70%	\$1,051
11		TOTAL PUMPING PLANT	\$49,569		\$2,866
12		WATER TREATMENT PLANT			
13		TOTAL WATER TREATMENT PLANT	\$0		\$0
14		TRANSMISSION & DISTRIBUTION PLANT			
15	342.000	Distribution Reservoirs & Standpipes	\$52,633	2.50%	\$1,316
16	343.000	Transmission & Distribution Mains	\$11,001	2.00%	\$220
17	345.000	Services	\$4,375	2.50%	\$109
18		TOTAL TRANS. & DISTRIBUTION PLANT	\$68,009		\$1,645
19		GENERAL PLANT			
20	372.000	Office Furniture & Equipment	\$384	5.00%	\$19
21	372.100	Office Computer & Electronic Equipment	\$3,857	7.20%	\$278
22	395.000	Laboratory Equipment	\$408	5.00%	\$20
23	396.000	Power-operated Equipment	\$0	6.70%	\$0
24	397.000	Communication Equipment	\$0	6.70%	\$0
25		TOTAL GENERAL PLANT	\$4,649		\$317
26		Total Depreciation	\$136,312		\$5,110

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
3		SOURCE OF SUPPLY PLANT					
4	311.000	Structures & Improvements - SSP	\$9			100.00%	\$9
5	314.000	Wells and Springs	\$3,940			100.00%	\$3,940
6		TOTAL SOURCE OF SUPPLY PLANT	\$3,949		\$0		\$3,949
7		PUMPING PLANT					
8	321.000	Structures & Improvements - PP	\$7,813			100.00%	\$7,813
9	325.100	Submersible Electric Pumping Equipment	\$432			100.00%	\$432
10	325.200	High Service or Booster Pumps	\$8,188			100.00%	\$8,188
11		TOTAL PUMPING PLANT	\$16,433		\$0		\$16,433
12		WATER TREATMENT PLANT					
13		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
14		TRANSMISSION & DISTRIBUTION PLANT					
15	342.000	Distribution Reservoirs & Standpipes	\$14,858			100.00%	\$14,858
16	343.000	Transmission & Distribution Mains	\$3,283	R-16	-\$282	100.00%	\$3,001
17	345.000	Services	\$164			100.00%	\$164
18		TOTAL TRANS. & DISTRIBUTION PLANT	\$18,305		-\$282		\$18,023
19		GENERAL PLANT					
20	372.000	Office Furniture & Equipment	\$203			100.00%	\$203
21	372.100	Office Computer & Electronic Equipment	\$3,685	R-21	\$164	100.00%	\$3,849
22	395.000	Laboratory Equipment	\$110			100.00%	\$110
23	396.000	Power-operated Equipment	-\$287	R-23	\$287	100.00%	\$0
24	397.000	Communication Equipment	-\$78	R-24	\$78	100.00%	\$0
25		TOTAL GENERAL PLANT	\$3,633		\$529		\$4,162
26		TOTAL DEPRECIATION RESERVE	\$42,320		\$247		\$42,567

To Rate Base Schedule

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-16	Transmission & Distribution Mains	343.000		-282
	1. To remove reserve associated with expense item previously capitalized (Boateng)		-\$282	
R-21	Office Computer & Electronic Equipment	372.100		\$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-23	Power-operated Equipment	396.000		\$287
	1. To redistribute reserve on plant through 12/31/13 (Rice)		\$287	
R-24	Communication Equipment	397.000		\$78
	1. To redistribute reserve on plant through 12/31/13 (Rice)		\$78	
Total Reserve Adjustments				\$247

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Revenue Schedule - Water

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$34,951	Rev-2	\$580	100.00%	\$35,531
Rev-3		Miscellaneous Revenues	\$2,365	Rev-3	-\$109	100.00%	\$2,256
Rev-4		TOTAL ANNUALIZED REVENUES	\$37,316		\$471		\$37,787

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Revenue Adjustment Schedule - Water

<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			\$580
	1. To Annualize Rate Revenues		\$580	
Rev-3	Miscellaneous Revenues			-\$109
	1. To Annualize Miscellaneous Revenues		-\$109	
Total Revenue Adjustments				<u>\$471</u>

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Water Availability Charge 5/8"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	179		431	
3	Bills Per Year	4		4	
4	Customer Bills Per year	716		1,724	
5	Current Customer Charge	<u>\$29.24</u>		<u>\$8.16</u>	
6	Annualized Customer Charge Revenues		\$20,936		\$14,068
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Water Rate Revenues		<u>\$20,936</u>		<u>\$14,068</u>

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

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Commercial Yard Hydrants		Total	
		F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	9		619	
3	Bills Per Year	4			
4	Customer Bills Per year	36		2,476	
5	Current Customer Charge	<u>\$14.64</u>			
6	Annualized Customer Charge Revenues		\$527		\$35,531
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0			
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>			
13	Block 1, Commodity Billing Units	0.00			
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Water Rate Revenues		<u>\$527</u>		<u>\$35,531</u>

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

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Miscellaneous Revenues Feeder - Water

Line Number	A Description	B Amount
1	Late Fees	\$1,805
2	Customer Request Turn On / Turn Off	\$10
3	Water Disconnection / Reconnection	\$100
4	Returned Check Fee	\$25
5	Interest Income / Refunds	\$316
6	Total Miscellaneous Revenues	<u>\$2,256</u>

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Operators Salary	\$4,695	W-2	-\$96	100.00%	\$4,599
3		Electricity - Pumping	\$2,928	W-3	\$137	100.00%	\$3,065
4		Testing Expense	\$200	W-4	\$2	100.00%	\$202
5		TOTAL OPERATIONS EXPENSE	\$7,823		\$43		\$7,866
6		MAINTENANCE EXPENSES					
7		System Repairs & Maintenance	\$807	W-7	\$587	100.00%	\$1,394
8		TOTAL MAINTENANCE EXPENSE	\$807		\$587		\$1,394
9		CUSTOMER ACCOUNT EXPENSE					
10		Accounting Fees	\$1,205	W-10	\$110	100.00%	\$1,315
11		Billing & Collections	\$143	W-11	\$122	100.00%	\$265
12		Office Supplies	\$264			100.00%	\$264
13		Postage	\$406	W-13	\$225	100.00%	\$631
14		TOTAL CUSTOMER ACCOUNT EXPENSE	\$2,018		\$457		\$2,475
15		ADMINISTRATIVE & GENERAL EXPENSES					
16		Administration & General Salary	\$4,360	W-16	\$159	100.00%	\$4,519
17		Telephone Expense	\$787	W-17	\$75	100.00%	\$862
18		Mileage Reimbursement	\$840	W-18	\$64	100.00%	\$904
19		Property & Liability Insurance	\$1,742	W-19	\$598	100.00%	\$2,340
20		Other Miscellaneous Expenses	\$338	W-20	-\$278	100.00%	\$60
21		Rate Case Expense	\$0	W-21	\$203	100.00%	\$203
22		Dues, Donations & Memberships	\$741	W-22	-\$513	100.00%	\$228
23		Electricity - Office	\$473	W-23	\$30	100.00%	\$503
24		Bank Fees	\$12			100.00%	\$12
25		Employee Bonuses	\$75	W-25	-\$75	100.00%	\$0
26		TOTAL ADMINISTRATIVE AND GENERAL	\$9,368		\$263		\$9,631
27		OTHER OPERATING EXPENSES					
28		PSC Assessment	\$284	W-28	\$92	100.00%	\$376
29		Corporate Registration	\$15	W-29	-\$5	100.00%	\$10
30		Depreciation	\$0	W-30	\$4,891	100.00%	\$4,891
31		TOTAL OTHER OPERATING EXPENSES	\$299		\$4,978		\$5,277
32		TAXES OTHER THAN INCOME					
33		Real & Personal Property Taxes	\$5			100.00%	\$5
34		Payroll Taxes	\$667	W-34	\$30	100.00%	\$697
35		TOTAL TAXES OTHER THAN INCOME	\$672		\$30		\$702
36		TOTAL OPERATING EXPENSES	\$20,987		\$6,358		\$27,345

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-2	Operators Salary			-\$96
	1. To annualize operator payroll expense (Sharpe)		-\$96	
W-3	Electricity - Pumping			\$137
	1. To annualize well house electricity expense (Boateng)		\$137	
W-4	Testing Expense			\$2
	1. To annualize testing expense (Sharpe)		\$2	
W-7	System Repairs & Maintenance			\$587
	1. To annualize repairs & maintenance expense (Boateng)		\$587	
W-10	Accounting Fees			\$110
	1. To annualize accounting expense (Sharpe)		\$110	
W-11	Billing & Collections			\$122
	1. To annualize billing and annualize collections expense (Sharpe)		\$122	
W-13	Postage			\$225
	1. To annualize postage expense (Sharpe)		\$225	
W-16	Administration & General Salary			\$159
	1. To annualize administration payroll expense (Sharpe)		\$159	
W-17	Telephone Expense			\$75

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize phone reimbursement and phone expense (Sharpe)		\$75	
W-18	Mileage Reimbursement			\$64
	1. To annualize mileage reimbursement expense (Sharpe)		\$64	
W-19	Property & Liability Insurance			\$598
	1. To annualize insurance expense (Boateng)		\$598	
W-20	Other Miscellaneous Expenses			-\$278
	1. To remove miscellaneous fees not related to utility operations (Sharpe)		-\$278	
W-21	Rate Case Expense			\$203
	1. To normalize rate case expense over 5 years (Sharpe)		\$203	
W-22	Dues, Donations & Memberships			-\$513
	1. To remove dues & donations that provide no rate payer benefit (Sharpe)		-\$513	
W-23	Electricity - Office			\$30
	1. To annualize office electricity expense (Boateng)		\$30	
W-25	Employee Bonuses			-\$75
	1. To remove employee bonuses (Sharpe)		-\$75	
W-28	PSC Assessment			\$92

Peaceful Valley Service Company
Informal Rate Case
WR-2014-0154
Test Year Ending 09/30/2013
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	1. To annualize PSC assessment expense for FY 2015 (Sharpe)		\$92	
W-29	Corporate Registration			-\$5
	1. To annualize corporate registration expense (Sharpe)		-\$5	
W-30	Depreciation			\$4,891
	1. To Annualize Depreciation		\$5,110	
	2. To remove amortization related to CIAC (Boateng)		-\$219	
W-34	Payroll Taxes			\$30
	1. To annualize payroll tax expense (Sharpe)		\$30	
	Total Expense Adjustments			<u>\$6,358</u>

Agreement Attachment C

Rate Base Worksheet

Peaceful Valley Service Company
 Informal Rate Case
 WR-2014-0154
 Test Year Ending 09/30/2013
 Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$136,312	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$42,567</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$93,745	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$10,383	
	CIAC Amortization	\$2,331	
	Materials & Supplies	\$629	
5	Total Rate Base	<u>\$86,322</u>	

Agreement Attachment D

Schedule of Depreciation Rates

Peaceful Valley Service Company

DEPRECIATION RATES

WATER

WR-2014-0154

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	2.5%	44	-10%
314	Wells & Springs	2.0%	50	0%
321	Structures & Improvements	2.5%	44	-10%
325.1	Submersible Pumping Equipment	10.0%	12	-20%
325.2	High Service or Booster Pumping Equip.	6.7%	15	0%
332	Water Treatment Equipment	2.9%	35	0%
342	Distribution Reservoirs & Standpipes	2.5%	42	-5%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Services	2.5%	40	0%
346	Meters	10.0%	10	0%
347	Meter Installations	2.5%	40	0%
372	Office Furniture & Equipment	5.0%	20	0%
372.1	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 & Regulations Governing Rendering of Water Service

INDEX

Sheet No.

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

Rule No.	Rule Title
8	1. Definitions
11	2. General Rules and Regulations
12	3. Company Employees and Customer Relations
13	4. Applications for Service
14	5. Inside Piping and Water Service Lines
17	6. Improper or Excessive Use
18	7. Discontinuance of Service by Company
21	8. Termination of Water Service at Customer's Request
22	9. Interruptions in Service
23	10. Bills for Service
27	11. Meters and Meter Installations
30	12. Meter Tests and Test Fees
31	13. Bill Adjustments Based on Meter Tests
32	14. Extension of Water Mains

* Indicates new rate or text
+ Indicates change

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

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

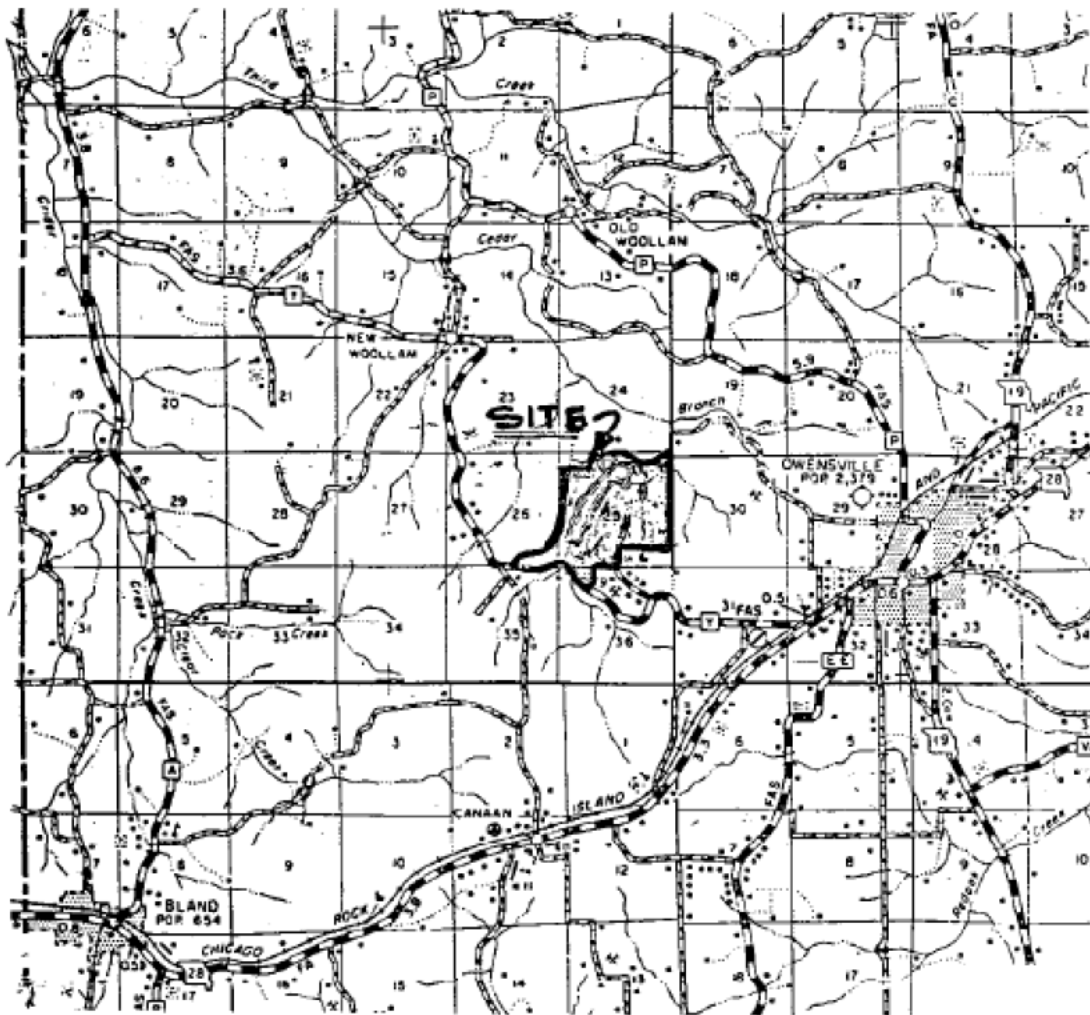
ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Dr. Owensville, MO 65066
Name and Title of Issuing Officer Mailing Address

Name of Utility: Peaceful Valley Service Company

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

Rules & Regulations Governing Rendering of Water Service

Map of Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: April 24, 2014
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ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Dr. 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 & Regulations Governing Rendering of Water 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, 1317.36 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 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

* 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 Dr. 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 & Regulations Governing Rendering of Water Service

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 1176.3 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 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

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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 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 of 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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Rules & Regulations Governing Rendering of Water Service

Schedule of Rates

Availability: The Company holds itself out to provide water for distribution at retail only and no sales of water for re-distribution shall be made. Otherwise, service is available to any customer adjacent to the Company's water distribution mains using standard water service.

Residential or Domestic Use: \$28.45 per quarter

Commercial: \$28.45 per quarter

Commercial with Restaurant: \$54.07 per quarter

Yard Hydrants in Parks, Beaches, or Camping Areas: \$14.24 per quarter

Availability Charge: \$7.94 per quarter

The availability charge is applicable where the Company has a water main located adjacent to a lot or lots in Peaceful Valley Late Estates Subdivision and the owner of said property is subject to a contract agreement with or an assignment to the Company, wherein it is agreed that the property owner will pay to the Company an availability charge until a water service line is connected to the property. At the time a service line is connected, the other rates in this tariff will apply.

As a condition of service, a property owner will be required to pay any availability charge owed since the effective date of this provision (July 1, 1985), before the Company is required to provide water service.

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Schedule of Service Charges

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

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

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Rule 1 DEFINITIONS

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

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Rules & Regulations Governing Rendering of Water Service

Rule 1 continued

- I. The "METER" is a device, owned by the Company, used to measure and record the quantity of water that flows through the service line, and is installed in the outdoor meter setting, or inside the Customer's building where the water service line enters through a foundation wall.
- J. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer's premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- K. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- L. 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.
- M. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line. This service connection shall be owned and maintained by the Company. If the property line is in a street, and if the curb stop or meter setting is not located near the edge of the street abutting the Customer's property, the said service connection shall be deemed to end at the edge of the street abutting the Customer's property.
- N. 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.

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Rule 1 continued

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

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Rule 2 GENERAL RULES & REGULATIONS

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

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Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any services rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the intent of these Rules and Regulations.

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Rule 4 APPLICATIONS FOR SERVICE

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

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Rule 5 INSIDE PIPING AND WATER SERVICE LINES

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

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Rule 5 continued

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

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

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Rule 5 continued

- H. The Company will not install a service connection to a vacant lot.
- I. Any change in the location of an existing service connection requested by the Customer shall be made by the Company or with the Company's approval, at the Customer's expense.
- J. The Company shall have the right to enter the Customer's premises for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- K. Neither water service lines nor service connections may be extended along public streets or roadways or through property of others in connecting with the Company's mains. The service connection may, however, extend through the water main easement and roadway easement as necessary in order to be connected to a main located across and adjacent to a street in front of the Customer's living unit. The service connection and service line must be laid in a straight line and at right angles to the main and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction will be at the discretion of the Company.
- L. Any Customer having a plumbing arrangement, or a water-using device that could allow backsiphonage of any chemical, petroleum, process water, water from a questionable supply, or other substance that could create a health hazard or damage to the water system; or, any Customer's plumbing classified as an actual or potential backflow hazard in the Regulations of the Missouri Department of Natural Resources shall be required to install and maintain a backflow prevention device. This rule may also apply to Customers on whose premises it is impossible or impractical for the Company to perform a cross connection survey. The device, installation, location and maintenance program shall be approved by the Company.

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Rule 6 IMPROPER OR EXCESSIVE USE

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

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Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

A. The Company may discontinue service for any of the following reasons:

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

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Rule 7 continued

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

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Rule 7 continued

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

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Rule 8 TERMINATION OF WATER SERVICE AT CUSTOMER'S REQUEST

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

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ISSUED BY August B. Hoernschemeyer, President 3408B Lakeshore Dr. 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 & Regulations Governing Rendering of
Water Service

Rule 9 INTERRUPTIONS IN SERVICE

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

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Water Service

Rule 10 BILLS FOR SERVICE

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 continued

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 continued

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

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 12 METER TESTS AND TEST FEES

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

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Rule 13 BILL ADJUSTMENTS BASED ON METER TESTS

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

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Rules & Regulations Governing Rendering of
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Rule 14 EXTENSION OF WATER MAINS

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

unplatted in subdivision lots, an applicant(s) cost shall be equal to the total cost of the main extension divided by the total length of the main extension in feet times one hundred (100) feet.

3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs D.1. or D.2. above, multiplied by the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:

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

- E. Refunds of funds paid by applicant(s) for any estimated costs or actual costs of a main extension shall be made to such applicant(s) as follows:

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

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Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

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

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Agreement Attachment F

Billing Comparison Worksheet

PEACEFUL VALLEY SERVICE COMPANY

Residential Customer Bill Comparison-Water

Rates for Residential Customer

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
\$29.24	\$28.45

current service charge is quarterly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 29.24
Total Bill	\$ 29.24

Proposed Rates

Customer Charge	\$ 28.45
Total Bill	\$ 28.45

INCREASES

Customer Charge

\$ Increase	(\$0.79)
% Increase	-2.72%

Total Bill

\$ Increase	(\$0.79)
% Increase	-2.72%

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

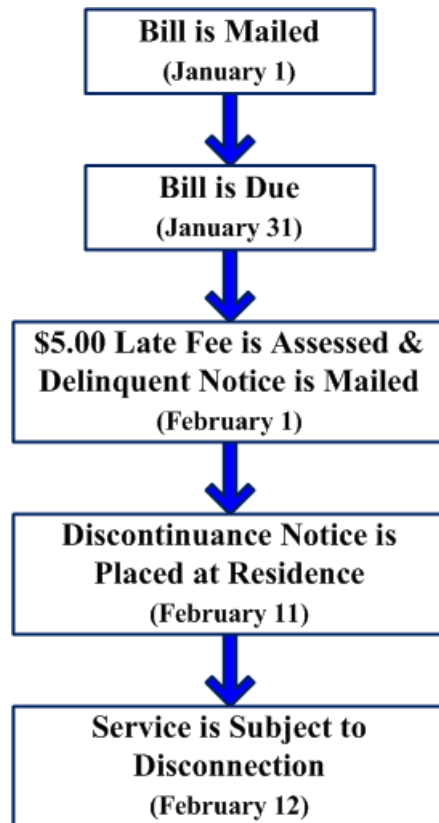
Customer payment options include cash, check, money order, or cashier's check. Most payments are received in the mail although, most days, one or two customers pay in person or use a mail slot in the door of the business office. Company personnel indicate that one-fourth to one-third of all mailed payments 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/off, 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 CSR 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
WR-2014-0154
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	(\$965)
Item(s)/Dollar(s) Driving Rate Increase	Increase in operating expenses
Number of Customers	179 Residential
Return on Equity	8.79%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SR-2014-0153
Status with Secretary of State	Current
DNR Violations	None
Significant Service/Quality Issues	None

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. WR-2014-0154
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 Water 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.

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



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

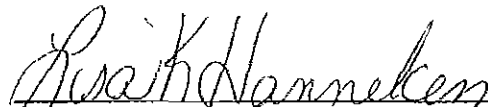
OF THE STATE OF MISSOURI

AFFIDAVIT OF LISA K. HANNEKEN

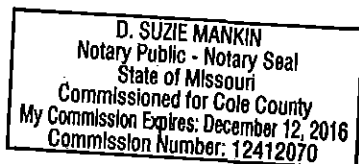
In the Matter of the Application of Peaceful) File No. SR-2014-0153
Valley Service Company Request for Increase)
in Sewer Operating Revenues) And
)
In the Matter of the Application of Peaceful) File No. WR-2014-0154
Valley Service Company Request for Increase)
in Water Operating Revenues)

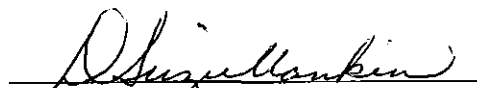
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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

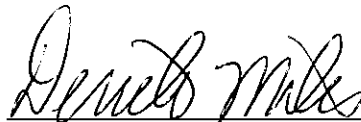
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
AFFIDAVIT OF DERICK MILES, P.E.

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)

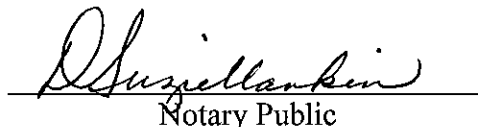
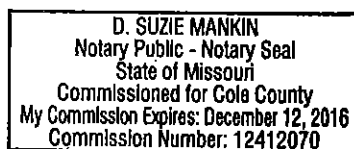
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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

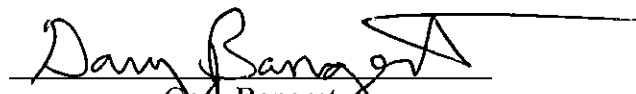
AFFIDAVIT OF GARY BANGERT

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)

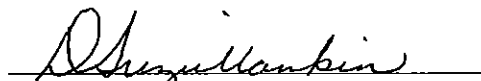
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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