

# APPENDIX A

CASE No. WR-2013-0017

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

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# Company/Staff Partial Disposition Agreement

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

**EMERALD POINTE UTILITY COMPANY**

**MO PSC FILE NO. WR-2013-0017**

**BACKGROUND**

Emerald Pointe Utility Company ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") 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, which was received at the Commission's offices on July 16, 2012, the Company set forth its request for an increase of \$13,000 in its total annual water service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 389 water customers, the vast majority of which are residential customers who are located in Taney 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 \$51,928 (35.87% decrease) subtracted from the level of previous revenues of \$144,767 results in overall revenues of \$92,322. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. However, the revenue requirement may be impacted by the items identified for possible hearing in the Evidentiary Hearing paragraph below. The above 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 June 30, 2012, updated to November 30, 2012, 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 \$196,899. 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 25.00 % equity for the Company and a return on that equity of 13.26%;
- (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 April 1, 2013;
- (8) The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2, 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 Partial Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit (“EMSU”) Report, attached hereto as Attachment J 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 require a deposit of only those customers not able to provide adequate documentation of their credit condition as described in Commission Rule 4 CSR 240-13.030(1)(C);
- (b) The Company will refund deposits with interest according to the provisions of Commission Rule 4 CSR 240-13.030(4) to those customers who have paid undisputed utility charges on time during a twelve (12) month billing period consistent with the Company’s tariffs. Information regarding such deposits should be maintained in a deposit log; and
- (c) The Company will develop and initiate a system for documenting customer contacts in compliance with Commission Rule 4 CSR 240-60.010(5);

(10) Within ninety (90) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the EMSU Report, attached hereto as Attachment J and incorporated by reference herein, and provide proof of implementing the recommendations to the Manager of the Commission’s EMSU Unit:

- (a) The Company will develop and utilize time sheets to record work assignments and the time associated with each work assignment;
- (b) The Company will develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information on activity, location and the miles driven; and
- (c) The Company will develop and make available to all current and future customers written information specifying the rights and responsibilities of the Company and its customers according to the provisions of Commission Rule 4 CSR 240-13.040(3);

(11) Within ninety (90) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Report, attached hereto as Attachment H and incorporated by reference herein, and provide proof of implementing the recommendations to the Manager of the Commission’s Auditing Unit:

- (a) The Company will stop taking payments for other affiliated companies owned by the parent company and reimbursing these other affiliated companies. The

Company will also stop paying bills owed by affiliated subsidiaries of the parent company and being reimbursed for such by the affiliate company;

- (b) The Company will maintain a record of all customer payments and late fees received as well as all customer deposits and reconnect fees received;
  - (c) The Company will reread meters when necessary to accurately bill customers in a timely manner and to maintain accurate billing records;
  - (d) The Company will adjust its books and records regarding the plant-in-service, depreciation reserve, and contributions in aid of construction (CIAC) balances reflected in Staff Accounting Schedules, Appendix B attached herein;
  - (e) The Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts (USOA);
  - (f) The Company will develop Continuing Property Records (CPR) for all of its Missouri utility plant-in-service and maintain records regarding CIAC so that interested parties may determine who made such contributions and on what date the contributions were made or paid;
  - (g) The Company will develop, implement and maintain records of all new construction connections. These records will, at a minimum, include the customer name address, any applicable meter or pump serial number, date of connection, dollar amount of tap-on fees, CIAC charges, connection fees and inspection fees;
  - (h) The Company will maintain a record of its meters pursuant to Commission Rule 4 CSR 240-10.030(2);
  - (i) The Company will maintain a record of its master meter reads for its well in a more complete and accurate manner; and
  - (j) The Company will maintain a record of its appropriately obtained customer deposits in a manner that allows for the accurate calculation of the amount of deposit and interest the Company should return to each customer;
- (12) Within ninety (90) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the following recommendation contained in the Auditing Unit Report, titled Overcharges, 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. However, the amount of such refunds may be resolved through evidentiary hearing, based on the result of Company's further review of Staff's calculations:
- (a) The Company will refund all applicable customer deposits with the prescribed interest per the Company's currently filed tariff;

- (13) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Company/Staff Partial Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;
- (14) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Partial Disposition Agreement;
- (15) Staff may file a formal complaint against the Company if the Company does not comply with the provisions of this Company/Staff Partial Disposition Agreement;
- (16) The Company and Staff agree that they have read the foregoing Company/Staff Partial Disposition Agreement; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and
- (17) The above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

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

Staff and the Company hereby state that the refunding of previously collected sewer commodity charge, late fees, reconnection fees and the amount of customer deposits have not been resolved and request that these items be addressed through the contested case process provided for in Commission Rule 4 CSR 240.3.050(21). Also, the issues of legal fees, rate case expense and rate design remain for possible hearing.

#### **ADDITIONAL MATTERS**

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

The Company and Staff acknowledge that they have previously agreed to an extension of the normal "Day-150" date by which an agreement regarding the resolution of a small company revenue increase request is to be reached. A copy of the extension agreement can be found in the above-referenced EFIS Case Number for the Request.

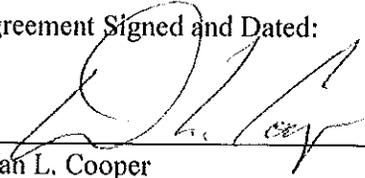
Staff has completed a Summary of Case Events and has included that summary as Attachment K to this Company/Staff Partial Disposition Agreement.

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

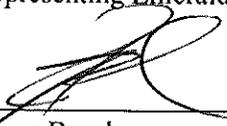
Additionally, the Company agrees that, subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Partial Disposition Agreement at any agenda meeting at which this case is noticed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

**SIGNATURES**

Agreement Signed and Dated:

  
\_\_\_\_\_  
Dean L. Cooper  
Attorney-Brydon, Swearingen and England  
Representing Emerald Pointe Utility Company

14 MAR 2013  
Date

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

3/14/13  
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
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- Attachment K – Summary of Events

Agreement Attachment A  
Ratemaking Income Statement

# EMERALD POINTE UTILITY COMPANY

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	144,250
2	Other Operating Revenues *	\$	517
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>144,767</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary-Contract Services	\$ 21,309
2 Electricity-Pumping	\$ 17,081
3 Testing Expenses	\$ 222
4 System Repairs Maintenance	\$ 8,619
5 Billing & Collections	\$ 1,517
6 Administration & General - Salaries	\$ 3,567
7 Legal Fees	\$ 77
8 Accounting Fees	\$ 475
9 Office Supplies	\$ 211
10 Postage	\$ 25
11 Office Utilities	\$ 1,636
12 Telephone & Internet Expense	\$ 630
13 Transportation Expense	\$ 530
14 Property & Liability Insurance	\$ 1,212
15 Rent Expense-Building	\$ 3,106
16 Rate Case Expense	\$ -
17 Miscellaneous General Expenses	\$ 1,361
18 Regulatory Commission Expense	\$ 1,014
19 Corporate Registration	\$ 10
20 <b>Sub-Total Operating Expenses</b>	<b>\$ 62,602</b>
21 Property Taxes	\$ 784
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ 2,661
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ 1,625
27 <b>Sub-Total Taxes</b>	<b>\$ 5,070</b>
28 Depreciation Expense	\$ 10,725
29 Interest Expense	\$ 7,915
30 Amortization of Utility Plant	\$ -
31 <b>Sub-Total Depreciation/Interest/Amortization</b>	<b>\$ 18,640</b>
32 <b>Return on Rate Base</b>	<b>\$ 6,527</b>
33 <b>Total Cost of Service</b>	<b>\$ 92,839</b>
34 <b>Overall Revenue Increase Needed</b>	<b>\$ (51,928)</b>

# Agreement Attachment B

## EMS Run

**Exhibit No.:**  
**Issue:** Accounting Schedules  
**Witness:** MO PSC Auditors  
**Sponsoring Party:** MO PSC Staff  
**Case No:** WR-2013-0017  
**Date Prepared:** 3/5/2013



**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**Revised**

**STAFF ACCOUNTING SCHEDULES**

**EMERALD POINTE UTILITY COMPANY**

**CASE NO. WR-2013-0017**

**Jefferson City, Missouri**

**Mar-13**

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Rate Design Schedule - Water

Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$144,250			
Rev-3	Miscellaneous Revenues	(1)	\$517			
Rev-4	TOTAL ANNUALIZED REVENUES		\$144,767			
1	OPERATIONS EXPENSES	(2)				
2	Management Salary (1)		\$0	\$0	\$0	0.00%
3	Operators Salary/Contract Services (1)		\$21,309	\$0	\$21,309	0.00%
4	Electricity-(Pumping)		\$17,081	\$0	\$17,081	0.00%
5	Chemicals-(Chlorine)		\$0	\$0	\$0	0.00%
6	TOTAL OPERATIONS EXPENSE		\$38,390	\$0	\$38,390	
7	MAINTENANCE EXPENSES					
8	System Repairs and Maintenance		\$8,619	\$0	\$8,619	0.00%
9	TOTAL MAINTENANCE EXPENSE		\$8,619	\$0	\$8,619	
10	CUSTOMER ACCOUNT EXPENSE					
11	Billing & Collections		\$1,517	\$0	\$1,517	0.00%
12	TOTAL CUSTOMER ACCOUNT EXPENSE		\$1,517	\$0	\$1,517	
13	ADMINISTRATIVE & GENERAL EXPENSES					
14	Administration & General Salary (1)		\$3,567	\$0	\$3,567	0.00%
15	Legal Fees		\$77	\$0	\$77	0.00%
16	Accounting Fees		\$475	\$0	\$475	0.00%
17	Office Supplies		\$211	\$0	\$211	0.00%
18	Postage		\$25	\$0	\$25	0.00%
19	Office Utilities		\$1,636	\$0	\$1,636	0.00%
20	Telephone & Internet		\$630	\$0	\$630	0.00%
21	Vehicle Expense		\$530	\$0	\$530	0.00%
22	Medical Insurance		\$0	\$0	\$0	0.00%
23	Property & Liability Insurance		\$1,212	\$0	\$1,212	0.00%
24	Building Rent		\$3,106	\$0	\$3,106	0.00%
25	Testing Expense		\$222	\$0	\$222	0.00%
26	Other Misc. Expenses		\$1,361	\$0	\$1,361	0.00%
27	TOTAL ADMINISTRATIVE AND GENERAL		\$13,052	\$0	\$13,052	
28	OTHER OPERATING EXPENSES					
29	MO DNR Fees		\$0	\$0	\$0	0.00%
30	PSC Assessment		\$1,014	\$0	\$1,014	0.00%
31	Corporate Registration		\$10	\$0	\$10	0.00%
32	Amortization Expense		\$0	\$0	\$0	0.00%
33	Depreciation		\$10,725	\$0	\$10,725	0.00%
34	TOTAL OTHER OPERATING EXPENSES		\$11,749	\$0	\$11,749	
35	TAXES OTHER THAN INCOME					
36	Real & Personal Property Taxes		\$784	\$0	\$784	0.00%
37	Corporate Franchise Tax		\$0	\$0	\$0	0.00%
38	Payroll Taxes		\$2,661	\$0	\$2,661	0.00%
39	TOTAL TAXES OTHER THAN INCOME		\$3,445	\$0	\$3,445	
40	TOTAL OPERATING EXPENSES		\$76,772	\$0	\$76,772	
41	Interest Expense	(3)	\$7,915	\$0	\$7,915	0.00%
42	Return on Equity	(3)	\$6,527	\$0	\$6,527	0.00%
43	Income Taxes	(3)	\$1,625	\$0	\$1,625	0.00%
44	TOTAL INTEREST RETURN & TAXES		\$16,067	\$0	\$16,067	
45	TOTAL COST OF SERVICE		\$92,839	\$0	\$92,839	

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Rate Design Schedule - Water

A	B	C	D	E	F	
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
46	Less: Miscellaneous Revenues		\$517	\$0	\$517	0.00%
47	COST TO RECOVER IN RATES		\$92,322	\$0	\$92,322	
48	INCREMENTAL INCREASE IN RATE REVENUES		<u>-\$51,928</u>			
49	PERCENTAGE OF INCREASE		<u>-35.87%</u>			
50	REQUESTED INCREASE IN REVENUES		\$0			

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

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Rate Base Required Return on Investment Schedule - Water

Line Number	A Rate Base Description	B Dollar Amount	
1	Plant In Service	\$562,113	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$205,858	From Depreciation Reserve Schedule
3	Net Plant In Service	\$356,255	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$234,956	
	CIAC Accumulated Reserve	\$74,889	
	Inventory - Meters	\$711	
5	Total Rate Base	\$196,899	
6	Total Weighted Rate of Return Including Income Tax	8.16%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u>\$16,068</u>	

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 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)	<u>14.13%</u>	$(1 - B1) \times A2$
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		<u>3.32%</u>	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		4.14%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		<u>4.02%</u>	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		<u><u>8.16%</u></u>	$B6 + B7$

(1) If Sub-Chapter S Corporation, Enter Y: N To Rate Base Schedule

Equity Income Required \$7,679  
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$7,679	\$1,152
\$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
			<u>\$7,679</u>	<u>\$1,152</u>
			Consolidated Tax Rate:	
			Average Tax Rate:	0.15

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$49,225	25.00%	13.26%	3.315%
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	\$147,674	75.00%	5.36%	4.020%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
<b>7</b>	<b>TOTAL CAPITALIZATION</b>	<b>\$196,899</b>	<b>100.00%</b>		<b>7.335%</b>

To PreTax Return Rate Schedule

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

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 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	310.000	Land & Land Rights - SSP	\$9,218			100.00%	\$9,218
5	311.000	Structures & Improvements - SSP	\$11,629			100.00%	\$11,629
6	314.000	Wells and Springs	\$131,195			100.00%	\$131,195
7		TOTAL SOURCE OF SUPPLY PLANT	\$152,042		\$0		\$152,042
8		PUMPING PLANT					
9	325.100	Electric Pumping Equipment	\$39,101			100.00%	\$39,101
10		TOTAL PUMPING PLANT	\$39,101		\$0		\$39,101
11		WATER TREATMENT PLANT					
12		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
13		TRANSMISSION & DISTRIBUTION PLANT					
14	342.000	Distribution Reservoirs & Standpipes	\$133,617			100.00%	\$133,617
15	343.000	Transmission & Distribution Mains	\$217,834			100.00%	\$217,834
16	345.000	Customer Services	\$520			100.00%	\$520
17	346.200	Customer Meters, Plastic	\$7,640			100.00%	\$7,640
18	347.000	Meter Installations- Plastic	\$8,757			100.00%	\$8,757
19	348.000	Hydrants	\$670			100.00%	\$670
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$369,038		\$0		\$369,038
21		GENERAL PLANT					
22	391.100	Office Electronics and Computer Equipment	\$823			100.00%	\$823
23	394.000	Tools, Shops, Garage Equipment	\$1,109			100.00%	\$1,109
24		TOTAL GENERAL PLANT	\$1,932		\$0		\$1,932
25		<b>TOTAL PLANT IN SERVICE</b>	<b>\$562,113</b>		<b>\$0</b>		<b>\$562,113</b>

To Rate Base & Depreciation Schedules

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Schedule of Adjustments for Plant in Service - Water

A	B	C	D	E
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
<b>Total Plant Adjustments</b>				<b>\$0</b>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 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	310.000	Land & Land Rights - SSP	\$9,218	0.00%	\$0
5	311.000	Structures & Improvements - SSP	\$11,629	2.50%	\$291
6	314.000	Wells and Springs	\$131,195	2.00%	\$2,624
7		TOTAL SOURCE OF SUPPLY PLANT	\$152,042		\$2,915
8		PUMPING PLANT			
9	325.100	Electric Pumping Equipment	\$39,101	10.00%	\$3,910
10		TOTAL PUMPING PLANT	\$39,101		\$3,910
11		WATER TREATMENT PLANT			
12		TOTAL WATER TREATMENT PLANT	\$0		\$0
13		TRANSMISSION & DISTRIBUTION PLANT			
14	342.000	Distribution Reservoirs & Standpipes	\$133,617	2.50%	\$3,340
15	343.000	Transmission & Distribution Mains	\$217,834	2.00%	\$4,357
16	345.000	Customer Services	\$520	2.90%	\$15
17	346.200	Customer Meters, Plastic	\$7,640	10.00%	\$764
18	347.000	Meter Installations- Plastic	\$8,757	2.90%	\$254
19	348.000	Hydrants	\$670	2.50%	\$17
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$369,038		\$8,747
21		GENERAL PLANT			
22	391.100	Office Electronics and Computer Equipment	\$823	14.30%	\$118
23	394.000	Tools, Shops, Garage Equipment	\$1,109	5.00%	\$55
24		TOTAL GENERAL PLANT	\$1,932		\$173
25		<b>Total Depreciation</b>	<b>\$562,113</b>		<b>\$15,745</b>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 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	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
5	311.000	Structures & Improvements - SSP	\$4,816			100.00%	\$4,816
6	314.000	Wells and Springs	\$43,732			100.00%	\$43,732
7		TOTAL SOURCE OF SUPPLY PLANT	\$48,548		\$0		\$48,548
8		PUMPING PLANT					
9	325.100	Electric Pumping Equipment	\$25,194			100.00%	\$25,194
10		TOTAL PUMPING PLANT	\$25,194		\$0		\$25,194
11		WATER TREATMENT PLANT					
12		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
13		TRANSMISSION & DISTRIBUTION PLANT					
14	342.000	Distribution Reservoirs & Standpipes	\$56,164			100.00%	\$56,164
15	343.000	Transmission & Distribution Mains	\$72,495			100.00%	\$72,495
16	345.000	Customer Services	\$24			100.00%	\$24
17	346.200	Customer Meters, Plastic	\$2,373			100.00%	\$2,373
18	347.000	Meter Installations- Plastic	\$722			100.00%	\$722
19	348.000	Hydrants	\$20			100.00%	\$20
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$131,798		\$0		\$131,798
21		GENERAL PLANT					
22	391.100	Office Electronics and Computer Equipment	\$183			100.00%	\$183
23	394.000	Tools, Shops, Garage Equipment	\$135			100.00%	\$135
24		TOTAL GENERAL PLANT	\$318		\$0		\$318
25		TOTAL DEPRECIATION RESERVE	\$205,858		\$0		\$205,858

To Rate Base Schedule

Emerald Pointe Utility Company  
Informal Case/Rate Case  
Tracking Number WR-2013-0017  
Test Year Ending 06-30-2012

Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
<b>Total Reserve Adjustments</b>				<b>\$0</b>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Revenue Schedule - Water

A	B	C	D	E	F	G	
Line Number	Account Number (Optional)	Revenue Description	Company/ Test Year Amount	Adjustment Number	Jurisdictional Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
Rev-1		<b>ANNUALIZED REVENUES</b>					
Rev-2		Annualized Rate Revenues	\$156,502	Rev-2	-\$12,252	100.00%	\$144,250
Rev-3		Miscellaneous Revenues	\$480	Rev-3	\$37	100.00%	\$517
Rev-4		<b>TOTAL ANNUALIZED REVENUES</b>	<b>\$156,982</b>		<b>-\$12,215</b>		<b>\$144,767</b>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 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			-\$12,252
	1. To Annualize Rate Revenues		-\$12,252	
Rev-3	Miscellaneous Revenues			\$37
	1. To Annualize Miscellaneous Revenues		\$37	
<b>Total Revenue Adjustments</b>				<b>-\$12,215</b>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Commercial 1"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	355		4	
3	Bills Per Year	12		12	
4	Customer Bills Per year	4,260		48	
5	Current Customer Charge	<u>\$6.52</u>		<u>\$10.62</u>	
6	Annualized Customer Charge Revenues		\$27,775		\$510
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	25,238,035		1,162,610	
9	Less: Base Gallons Included In Customer Charge	<u>8,520,000</u>		<u>96,000</u>	
10	Commodity Gallons	16,718,035		1,066,610	
11	Block 1, Commodity Gallons per Block	16,718,035		1,066,610	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	16,718.04		1,066.61	
14	Block 1, Existing Commodity Charge	<u>\$3.50</u>		<u>\$3.50</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$58,513		\$3,733
16	<b>Total Annualized Water Rate Revenues</b>		<u>\$86,288</u>		<u>\$4,243</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.

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Commercial 2"		Total	
		E Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	30		389	
3	Bills Per Year	12			
4	Customer Bills Per year	360		4,668	
5	Current Customer Charge	<u>\$25.52</u>			
6	Annualized Customer Charge Revenues		\$9,187		\$37,472
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	13,443,290		39,843,935	
9	Less: Base Gallons Included in Customer Charge	<u>720,000</u>		9,336,000	
10	Commodity Gallons	12,723,290		30,507,935	
11	Block 1, Commodity Gallons per Block	12,723,290			
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>			
13	Block 1, Commodity Billing Units	12,723.29			
14	Block 1, Existing Commodity Charge	<u>\$3.50</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$44,532		\$106,778
16	<b>Total Annualized Water Rate Revenues</b>		<u>\$53,719</u>		<u>\$144,250</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).

Emerald Pointe Utility Company  
Informal Case/Rate Case  
Tracking Number WR-2013-0017  
Test Year Ending 06-30-2012  
Miscellaneous Revenues Feeder - Water

Line Number	A Description	B Amount
1	Late Fees	\$357
2	Reconnect Fees/Disconnect Fees	\$160
3	Total Miscellaneous Revenues	<u>\$517</u>

Emerald Pointe Utility Company  
Informal Case/Rate Case  
Tracking Number WR-2013-0017  
Test Year Ending 06-30-2012  
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		Management Salary (1)	\$0			100.00%	\$0
3		Operators Salary/Contract Services (1)	\$11,496	W-3	\$9,813	100.00%	\$21,309
4		Electricity-(Pumping)	\$18,318	W-4	-\$1,237	100.00%	\$17,081
5		Chemicals-(Chlorine)	\$0			100.00%	\$0
6		TOTAL OPERATIONS EXPENSE	<u>\$29,814</u>		<u>\$8,576</u>		<u>\$38,390</u>
7		MAINTENANCE EXPENSES					
8		System Repairs and Maintenance	\$8,877	W-8	-\$258	100.00%	\$8,619
9		TOTAL MAINTENANCE EXPENSE	<u>\$8,877</u>		<u>-\$258</u>		<u>\$8,619</u>
10		CUSTOMER ACCOUNT EXPENSE					
11		Billing & Collections	\$0	W-11	\$1,517	100.00%	\$1,517
12		TOTAL CUSTOMER ACCOUNT EXPENSE	<u>\$0</u>		<u>\$1,517</u>		<u>\$1,517</u>
13		ADMINISTRATIVE & GENERAL EXPENSES					
14		Administration & General Salary (1)	\$5,599	W-14	-\$2,032	100.00%	\$3,567
15		Legal Fees	\$386	W-16	-\$309	100.00%	\$77
16		Accounting Fees	\$475			100.00%	\$475
17		Office Supplies	\$35	W-17	\$176	100.00%	\$211
18		Postage	\$59	W-18	-\$34	100.00%	\$25
19		Office Utilities	\$0	W-19	\$1,636	100.00%	\$1,636
20		Telephone & Internet	\$0	W-20	\$630	100.00%	\$630
21		Vehicle Expense	\$150	W-21	\$380	100.00%	\$530
22		Medical Insurance	\$0			100.00%	\$0
23		Property & Liability Insurance	\$1,629	W-23	-\$417	100.00%	\$1,212
24		Building Rent	\$0	W-24	\$3,106	100.00%	\$3,106
25		Testing Expense	\$209	W-25	\$13	100.00%	\$222
26		Other Misc. Expenses	\$8,276	W-26	-\$6,915	100.00%	\$1,361
27		TOTAL ADMINISTRATIVE AND GENERAL	<u>\$16,818</u>		<u>-\$3,766</u>		<u>\$13,052</u>
28		OTHER OPERATING EXPENSES					
29		MO DNR Fees	\$0			100.00%	\$0
30		PSC Assessment	\$741	W-30	\$273	100.00%	\$1,014
31		Corporate Registration	\$0	W-31	\$10	100.00%	\$10
32		Amortization Expense	\$0			100.00%	\$0
33		Depreciation	\$0	W-33	\$10,725	100.00%	\$10,725
34		TOTAL OTHER OPERATING EXPENSES	<u>\$741</u>		<u>\$11,008</u>		<u>\$11,749</u>
35		TAXES OTHER THAN INCOME					
36		Real & Personal Property Taxes	\$773	W-36	\$11	100.00%	\$784
37		Corporate Franchise Tax	\$10	W-37	-\$10	100.00%	\$0
38		Payroll Taxes	\$1,172	W-38	\$1,489	100.00%	\$2,661
39		TOTAL TAXES OTHER THAN INCOME	<u>\$1,955</u>		<u>\$1,490</u>		<u>\$3,445</u>
40		<b>TOTAL OPERATING EXPENSES</b>	<u><b>\$58,205</b></u>		<u><b>\$18,567</b></u>		<u><b>\$76,772</b></u>

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-3	<b>Operators Salary/Contract Services (1)</b>			<b>\$9,813</b>
	1. To annualize for ongoing level (Hanneken)		\$9,813	
W-4	<b>Electricity-(Pumping)</b>			<b>-\$1,237</b>
	1. To disallow donation (Rose)		-\$5	
	2. To normalize to onging level (Rose)		-\$1,232	
W-8	<b>System Repairs and Maintenance</b>			<b>-\$258</b>
	1. To normalize expense level (Hanneken)		-\$258	
W-11	<b>Billing &amp; Collections</b>			<b>\$1,517</b>
	To annualize for ongoing level (Rose)		\$1,517	
W-14	<b>Administration &amp; General Salary (1)</b>			<b>-\$2,032</b>
	1. To annualize for ongoing level (Hanneken)		-\$2,032	
W-15	<b>Legal Fees</b>			<b>-\$309</b>
	1. To annualize for ongoing level (Rose)		-\$309	
W-17	<b>Office Supplies</b>			<b>\$176</b>
	1. To annualize for ongoing level (Rose)		\$176	
W-18	<b>Postage</b>			<b>-\$34</b>
	1. To annualize to ongoing level (Rose)		-\$34	
W-19	<b>Office Utilities</b>			<b>\$1,636</b>
	1. To annualize trash for ongoing level (Rose)		\$696	

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	2. To annualize sewer for ongoing level (Rose)		\$127	
	3. To annualize electric for ongoing level (Rose)		\$736	
	4. To annualize water for ongoing level (Rose)		\$77	
<b>W-20</b>	<b>Telephone &amp; Internet</b>			<b>\$630</b>
	1. To annualize for ongoing level (Rose)		\$630	
<b>W-21</b>	<b>Vehicle Expense</b>			<b>\$380</b>
	1. To annualize for ongoing level (Rose)		\$380	
<b>W-23</b>	<b>Property &amp; Liability Insurance</b>			<b>-\$417</b>
	1. To annualize for ongoing level (Rose)		-\$417	
<b>W-24</b>	<b>Building Rent</b>			<b>\$3,106</b>
	1. To annualize for ongoing level (Rose)		\$3,106	
<b>W-25</b>	<b>Testing Expense</b>			<b>\$13</b>
	1. To annualize for ongoing level (Rose)		\$13	
<b>W-26</b>	<b>Other Misc. Expenses</b>			<b>-\$6,915</b>
	1. To annualize for ongoing level for dues (Rose)		-\$130	
	2. To disallow donations (Rose)		-\$100	
	3. To annualize bank fees to ongoing level (Rose)		-\$11	
	4. To disallow allocations not related to utility (Rose)		-\$5,683	
	5. To normalize rate case expense (Rose)		-\$995	

Emerald Pointe Utility Company  
 Informal Case/Rate Case  
 Tracking Number WR-2013-0017  
 Test Year Ending 06-30-2012  
 Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	6. To annualize Missouri One Call for ongoing level (Rose)		\$4	
<b>W-30</b>	<b>PSC Assessment</b>			<b>\$273</b>
	1. To annualize for ongoing level (Rose)		\$273	
<b>W-31</b>	<b>Corporate Registration</b>			<b>\$10</b>
	1. To annualize for ongoing level (Rose)		\$10	
<b>W-33</b>	<b>Depreciation</b>			<b>\$10,725</b>
	1. To Annualize Depreciation		\$15,745	
	2. To remove amortization related to CIAC (Hanneken)		-\$5,020	
<b>W-36</b>	<b>Real &amp; Personal Property Taxes</b>			<b>\$11</b>
	1. To annualize real estate taxes for ongoing level (Rose)		\$51	
	2. To annualize personal property taxes for ongoing level (Rose)		-\$40	
<b>W-37</b>	<b>Corporate Franchise Tax</b>			<b>-\$10</b>
	1. To annualize for ongoing level (Rose)		-\$10	
<b>W-38</b>	<b>Payroll Taxes</b>			<b>\$1,489</b>
	1. To annualize to ongiong level (Hanneken)		\$1,489	
	<b>Total Expense Adjustments</b>			<b><u>\$18,567</u></b>

# Agreement Attachment C

## Rate Base Worksheet

**Emerald Pointe Utility Company**  
**Informal Case/Rate Case**  
**Tracking Number WR-2013-0017**  
**Test Year Ending 06-30-2012**  
**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	\$562,113	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$205,858	From Depreciation Reserve Schedule
3	Net Plant In Service	\$356,255	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$234,956	
	CIAC Accumulated Reserve	\$74,889	
	Inventory - Meters	\$711	
5	Total Rate Base	\$196,899	

# Agreement Attachment D

## Schedule of Depreciation Rates

**Emerald Pointe Utilities COMPANY**  
**SCHEDULE of DEPRECIATION RATES (Dated 3/6/2013)**  
**( WATER )**  
**WR-2013-0017**

USOA

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
<b>Source of Supply</b>				
311	Structures & Improvements	2.5%	44	-10%
314	Wells & Springs	2.0%	50	0%
<b>Pumping Plant</b>				
321	Structures & Improvements	2.5%	44	-10%
325.1	Submersible Pumping Equipment	10.0%	12	-20%
<b>Transmission and Distribution</b>				
342	Distribution Reservoirs & Standpipes	2.5%	42	-5%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Customer Services	2.9%	35	0%
346.2	Customer Meters, Plastic (Throw Aways)	10.0%	10	0%
347	Customer Meter Pits & Installation	2.9%	35	0%
348	Hydrants	2.5%	40	0%
<b>General Plant</b>				
390	Structures & Improvements	2.9%	38	-10%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Electronic & Computer Equip.	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	13	13%
397	Communication Equipment	6.7%	15	0%

The above recommended depreciation rates are based on Staff's review of the Company's operation and records.

# Agreement Attachment E

## Example Tariff Sheets

Name of Utility: Emerald Pointe Utility Company  
 Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Water Service																															
<u>INDEX</u>																															
Sheet No.																															
1 .....	Index																														
2 .....	Map of Service Area – Case WA-96-96																														
2.1 .....	Map of Service Area – Branson Canyon																														
3 .....	Legal Description of Service Area																														
3.1 .....	Legal Description of Service Area – Branson Canyon																														
4 .....	Schedule of Rates																														
5 .....	Schedule of Service Charges																														
	<table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left; padding: 5px;">Rule No.</th> <th style="text-align: left; padding: 5px;">Rule Title</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">6 .....</td> <td style="padding: 5px;">1. Definitions</td> </tr> <tr> <td style="padding: 5px;">9 .....</td> <td style="padding: 5px;">2. General Rules and Regulations</td> </tr> <tr> <td style="padding: 5px;">10 .....</td> <td style="padding: 5px;">3. Company Employees and Customer Relations</td> </tr> <tr> <td style="padding: 5px;">11 .....</td> <td style="padding: 5px;">4. Applications for Service</td> </tr> <tr> <td style="padding: 5px;">12 .....</td> <td style="padding: 5px;">5. Inside Piping and Water Service Lines</td> </tr> <tr> <td style="padding: 5px;">15 .....</td> <td style="padding: 5px;">6. Improper or Excessive Use</td> </tr> <tr> <td style="padding: 5px;">16 .....</td> <td style="padding: 5px;">7. Discontinuance of Service by Company</td> </tr> <tr> <td style="padding: 5px;">19 .....</td> <td style="padding: 5px;">8. Termination of Water Service at Customer's Request</td> </tr> <tr> <td style="padding: 5px;">20 .....</td> <td style="padding: 5px;">9. Interruptions in Service</td> </tr> <tr> <td style="padding: 5px;">21 .....</td> <td style="padding: 5px;">10. Bills for Service</td> </tr> <tr> <td style="padding: 5px;">25 .....</td> <td style="padding: 5px;">11. Meters and Meter Installations</td> </tr> <tr> <td style="padding: 5px;">38 .....</td> <td style="padding: 5px;">12. Meter Tests and Test Fees</td> </tr> <tr> <td style="padding: 5px;">29 .....</td> <td style="padding: 5px;">13. Bill Adjustments Based on Meter Tests</td> </tr> <tr> <td style="padding: 5px;">30 .....</td> <td style="padding: 5px;">14. Extension of Water Mains</td> </tr> </tbody> </table>	Rule No.	Rule Title	6 .....	1. Definitions	9 .....	2. General Rules and Regulations	10 .....	3. Company Employees and Customer Relations	11 .....	4. Applications for Service	12 .....	5. Inside Piping and Water Service Lines	15 .....	6. Improper or Excessive Use	16 .....	7. Discontinuance of Service by Company	19 .....	8. Termination of Water Service at Customer's Request	20 .....	9. Interruptions in Service	21 .....	10. Bills for Service	25 .....	11. Meters and Meter Installations	38 .....	12. Meter Tests and Test Fees	29 .....	13. Bill Adjustments Based on Meter Tests	30 .....	14. Extension of Water Mains
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*	Indicates new rate or text																														
+	Indicates change																														

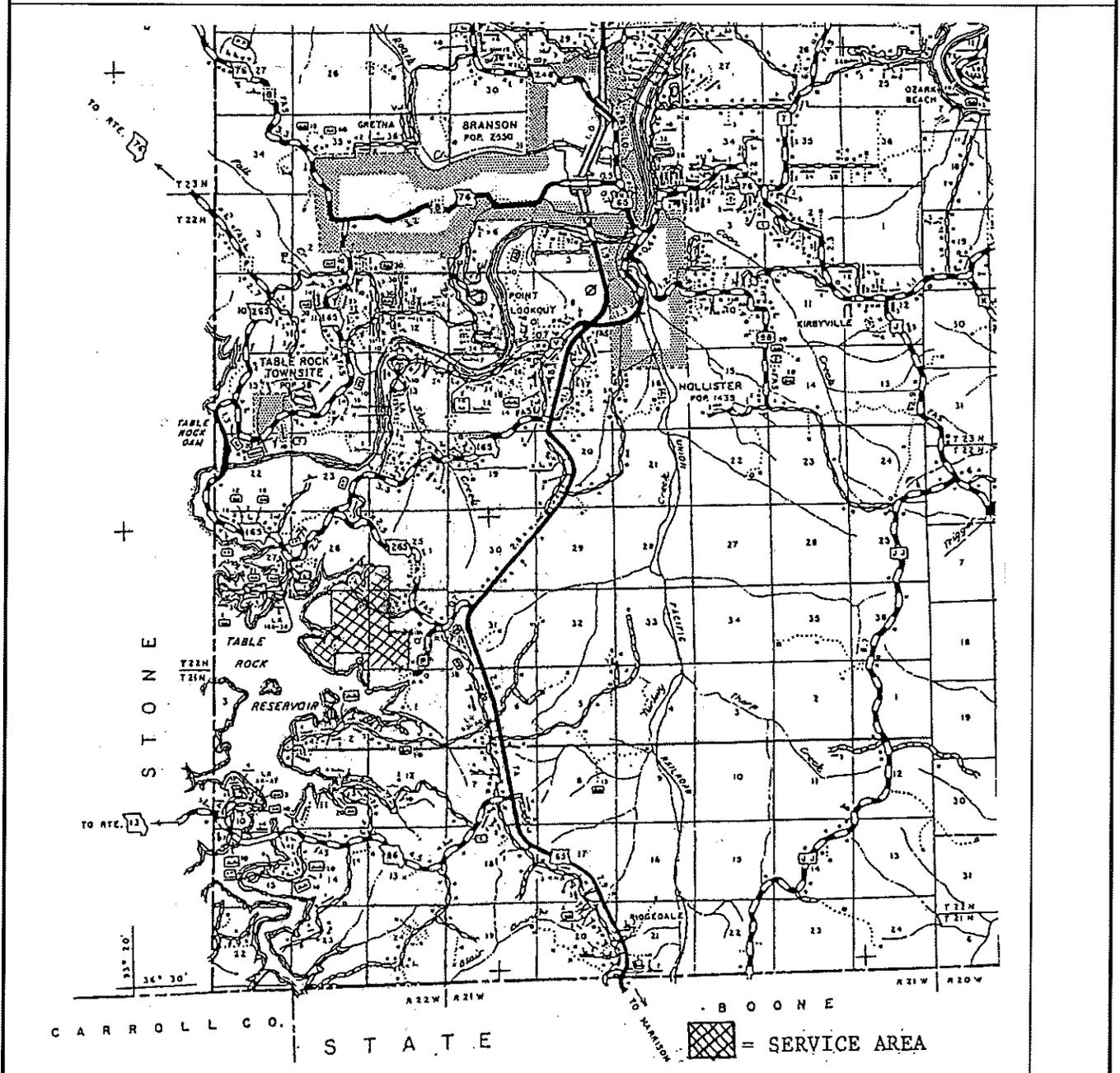
DATE OF ISSUE February 11, 2013  
 Month Day Year

DATE EFFECTIVE April 1, 2013  
 Month Day Year

ISSUED BY Gary W. Snadon President 118 State Dr. Hollister, MO 65672  
 name of officer title address

Name of Utility: Emerald Pointe Utility Company  
Service Area: All Missouri Service Areas

### Rules and Regulations Governing Rendering of Water Service



DATE OF ISSUE February 11, 2013  
Month Day Year

DATE EFFECTIVE April 1, 2013  
Month Day Year

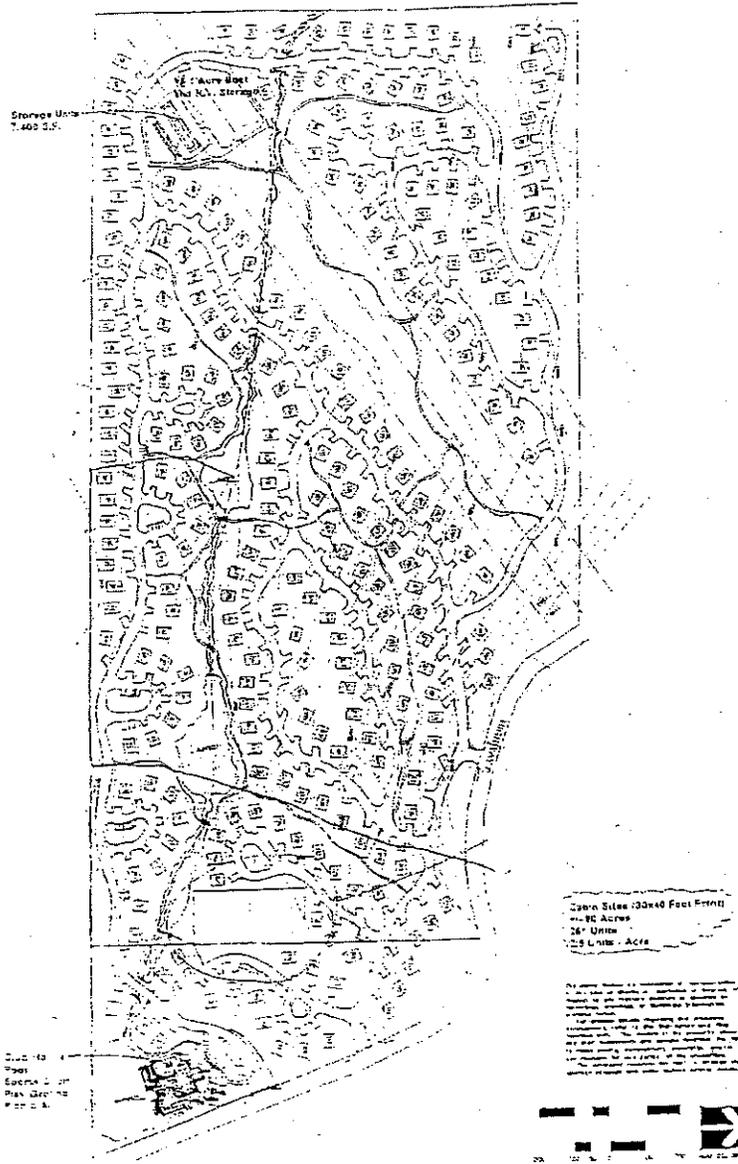
ISSUED BY Gary W. Snadon President  
name of officer title

118 State Dr. Hollister, MO 65672  
address

Name of Utility: Emerald Pointe Utility Company  
Service Area: All Missouri Service Areas

### Rules and Regulations Governing Rendering of Water Service

#### Map of Service Area – Branson Canyon



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Legal Description of Service Area

Beginning at the Southeast Corner of the Southeast Quarter of the Southwest Quarter of Section 36, Township 22 North, Range 22 West, said point being a Missouri Department of Natural Resources Monument; thence N 88°14'49" W along the South line of said Section 36, 1976.49 feet; thence leaving said South line of Section 36, N 00°54'57" E, 330.06 feet; thence N 88°11'55" W, 660.25 feet to the West line of said Section 36; thence along said West line of Section 36, N 01°10'04" E, 1035.36 feet to a stone, said stone being the Northwest Corner of the Southwest Quarter of the Southwest Quarter of said Section 36; thence N 89°48'37" W, 2622.33 feet to the Northeast Corner of the Southeast Quarter of the Southwest Quarter of Section 35, Township 22 North, Range 22 West; thence along the North line of said Southeast Quarter of the Southwest Quarter of Section 35, N 88°17'38" W, 640.00 feet; thence leaving said line, S 01°57'46" W, 341.35 feet; thence S 55°12'46" E, 315.77 feet, thence S 01°05'46" W, 300.00 feet to a point on the Corp of Engineers take line for Table Rock lake; thence along said take line N 55°12'46" W, 335.10 feet to Corp of Engineers Monument C 336-4; thence continuing along said take line N 43°57'01" W, 902.48 feet to Corp of Engineers Monument C 336-5/C 334-1; thence continuing along said take line N 24°38' 11" W, 388.67 feet to Corp of Engineers Monument C 334-2; thence continuing along said take line N 16°55'32" W, 542.08 feet to Corp of Engineers Monument C 334-3; thence continuing along said take line N 01°01'39" E, 338.01 feet to Corp of Engineers Monument C 334-4; thence continuing along said take line S 60°36'45" E, 376.92 feet to Corp of Engineers Monument C 334-5/C 335-1; thence continuing along said take line S 87°58'13" E, 329.40 feet to Corp of Engineers Monument C 335-2; thence continuing along said take line S 60°49'41 " E, 744.75 feet to Corp of Engineers Monument C 335-3; thence continuing along said take line N 27°26'55" E, 751.65 feet to Corp of Engineers Monument C 335-4/C 323-1; thence continuing along said take line N 65°04'15" E, 732.26 feet to Corp of Engineers Monument C 323-2; thence continuing along said take line N 27°35'15" E, 336.47 feet to Corp of Engineers Monument C 323-3; thence continuing along said take line N 87°04'58" W, 832.12 feet to Corp of Engineers Monument C 323-4/C 324-1-1, said monument being on the West line of the Northeast Quarter of said Section 35; thence along said West line of the Northeast Quarter of said Section 35, N 00°13'44" E, 675.77 feet to a stone, said stone being the Southwest Corner of the Northwest Quarter of the Northeast Quarter of Section 35; thence continuing said West line of the Northeast Quarter of Section 35, N 03°21'49" E, 1274.58 feet to Corp of Engineers Monument G 324-2-4/C 322-1, said monument being the Northwest Corner of said Northeast Quarter of Section 35; thence along the North line of said Section 35, S 88°02'47" E, 2646.95 feet to a stone, said stone being the Northeast Corner of said Section 35; thence N 01°43'53" E along the West line of Section 25, Township 22 North, Range 22 West, 1318.98 feet to the Northwest Corner of the Southwest Quarter of the Southwest Quarter of said Section 25; thence along the North line of said Southwest Quarter of the Southwest Quarter of Section 25, N 87°56'54" E, 1319.63 feet to the Northeast Corner of said Southwest Quarter of the Southwest Quarter of Section 25; thence S 01°35'33" W, along the East line of said Southwest Quarter of the Southwest Quarter of Section 25, 1314.44 feet to the section line; thence S 01°51'49" W along the West line of the Northeast Quarter of the Northwest Quarter of Section 36; thence S 87°42'10" E along the North line of the Southeast Quarter of the Northwest Quarter of said Section 36, 1326.37 feet to the Northeast Corner of said Southeast Quarter of the Northwest Quarter of Section 36; thence S 01°58'11"W along the East line of West half of said Section 36, 3935.82 feet to the point of beginning.

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Rules and Regulations Governing Rendering of  
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Legal Description of Service Area

A tract of land situated in a part of the NW ¼ of the NE ¼ of Section 1, Township 21 North, Range 22 West, and a part of the W ½ of the SE ¼ of Section 36, Township 22 North, Range 22 West, Taney County, Missouri, Being more particularly described as follows:

Beginning at an existing aluminum monument marking the Southwest corner of the W ½ of the SE ¼ of Section 36; Thence North 01°38'25" East, a distance of 2670.34 feet, to an existing stone marking the Northwest corner of the W ½ of the SE ¼ of Section 36; Thence South 86°59'15" East, a distance of 1329.13 feet, to an existing ½ " iron pin marking the Northeast corner of the NW ¼ of the SE ¼ of Section 36; Thence South 01°49'05" West, a distance of 1321.57 feet, to an existing stone marking the Northeast corner of the SW ¼ of the SE ¼ of Section 36; Thence South 01°48'16" West, along the East line of the SW ¼ of the SE ¼ of Section 36, a distance of 425.69 feet to a point on the Northerly right-of-way line M.S.H.D. Route "P"; Along the Northerly and Westerly right-of-way line of M.S.H.D. Route "P" as follows: Thence South 59°39'29" West, a distance of 34.06 feet; Thence Southwesterly along a 12.8072 degree curve to the left, 321.43 feet (said curve having a radius of 447.37 feet); Thence South 18°23'28" West, a distance of 228.00 feet; Thence Southerly along a 9.3468 degree curve to the left, 273.55 feet (said curve having a radius of 613.00 feet); Thence South 07°10'37" East a distance of 142.74 feet to a point on the South line of the SW ¼ of the SE ¼ of Section 36; Thence continuing South 07°10'37" East, a distance of 24.26 feet; Thence Southerly along a 27.4038 degree curve to the right, 284.63 feet (said curve having a radius of 209.08 feet); Thence South 70°49'19" West, a distance of 570.30 feet; Thence South 56°26'26" West a distance of 80.52 feet; Thence South 70°49'19" West, a distance of 275.37 feet to a point on the Table Rock Lake Government Fee Taking Line; Thence North 24°43'55" West, leaving the North right-of-way line of the road and along the Government Fee Taking Line, a distance of 113.01 feet, to a point on the West line of the NW ¼ of the NE ¼ of Section 1; Thence North 00°56'31" East along the West line of the NW ¼ of the NE ¼ of Section 1, a distance of 504.17 feet, to the Point of Beginning.

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Rules and Regulations Governing Rendering of  
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Schedule of Rates

Applicable to all water Customers located in the Company's Certificate service territory.

**Water Service Rates:**

Monthly Customer Charge (5/8" meter)	\$4.17 per month
Monthly Customer Charge (1" meter)	\$6.80 per month
Monthly Customer Charge (2" meter)	\$16.33 per month
Usage Charge (for all usage > 2,000 gal/month)	\$2.24 per 1,000 gallons

Monthly Minimum Bill: Equals the applicable Monthly Customer Charge.  
The minimum monthly billing shall be billed Customers based on this Charge.  
If a water meter is installed the minimum monthly service fee is required.

**Taxes:**

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

**Late Payment Charge:**

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is twenty-one (21) days after rendition of the bill. A charge of five dollars (\$5.00) or three percent (3%) per month times the unpaid balance, whichever is more, will be added to delinquent amounts.

**Returned Check Charge:**

A returned check charge of \$25 per check will be paid on all checks returned from the bank for any reason.

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Rules and Regulations Governing Rendering of  
Water Service

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 See Rule 5 B. 2 and 5 B. 3.	\$25
Water Service Line Inspection Fee See Rule 5 C.	\$25
Turn-On Fee	\$30
Turn-Off Fee	\$30
Meter Test Fee	\$50
Late Charges The late charge is calculated monthly with the greater amount above being added to the delinquent bill	\$5 or 3%
Returned Check Charges	\$25
Service Calls for Damages caused by Customer	Actual cost but not less than \$40

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Rules and Regulations Governing Rendering of  
Water Service

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 Emerald Pointe Utility 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 and 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 period 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

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Rules and Regulations Governing Rendering of  
Water Service

Rule 1 continued

includes resubdivision thereof.

- 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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Rules and Regulations Governing Rendering of  
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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 Rates, Rules and Regulations, all new facilities, construction contracts, and written agreements shall conform to these Rates, Rules and Regulations, and in accordance with the statutes of the state of Missouri and the Rates, Rules and Regulations of the Missouri Public Service Commission. Pre-existing facilities that do not comply with applicable Rates, 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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Rules and Regulations Governing Rendering of  
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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 Rates, 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 Rates, 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. Every Customer, upon signing an application for any service rendered by the Company, or upon taking of service, shall be considered to have expressed consent to the Company's Rates, Rules and Regulations.
- 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 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 follow 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 Connection Inspection Fee as specified in the Schedule of Service Charges shall

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Rules and Regulations Governing Rendering of  
Water Service

Rule 5 continued

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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Rules and Regulations Governing Rendering of  
Water Service

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 Rates, 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, or to permit others to use their hose or attachments, or 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; or
  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 procedures applicable to the Customer's sewer service in lieu of notification required by these Rules and

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Rules and Regulations Governing Rendering of  
Water Service

Rule 7 continued

Regulations.

- 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.

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ISSUED BY Gary W. Snadon President 118 State Dr. Hollister, MO 65672  
name of officer title address

Name of Utility: Emerald Pointe Utility Company  
Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Water Service

Rule 7 continued

- F. The provisions of Paragraphs C. and E., above, may be waived if safety of Company personnel while at the premises is a consideration.
- 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. Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Rules and Regulations Governing Rendering of  
Water Service

Rule 8 TERMINATION OF WATER SERVICE AND TEMPORARY TURN-OFF 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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Rules and 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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Rules and Regulations Governing Rendering of  
Water Service

Rule 10 BILLS FOR SERVICE

- A. The charges for water service shall be at the rates specified in the Schedule of Rates on file with the Missouri Public Service Commission. Other service charges, such as for turn-off or turn-on, 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 and Regulations Governing Rendering of  
Water Service

Rule 10 continued

- G. 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 discontinuance of 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 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 and 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 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 and 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.

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Rules and Regulations Governing Rendering of  
Water Service

Rule 11 METERS AND METER INSTALLATIONS

- A. All new and 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 or may 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 and 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. All indoor fittings and plumbing components, except the Company-owned meter, shall be furnished, owned and maintained 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

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Rules and Regulations Governing Rendering of  
Water Service

Rule 11 continued

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 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 Manager 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 Company-owned 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 and 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 and Regulations Governing Rendering of  
Water Service

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 a contribution in aid of construction equal to the amount determined in Paragraph B. above, plus any applicable Customer connection fee. 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 contributed by other applicant(s) 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 unplatted in subdivision lots, an applicant(s) cost shall be equal to the total

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Rules and Regulations Governing Rendering of  
Water Service

Rule 14 continued

cost of the main extension divided by the total length of the main extension in feet times one hundred feet (100').

3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs 14 F. 1. or 14 F. 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 contributions shall be made to applicant(s) as follows:

1. 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.
2. 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.
3. The sum of all refunds to any applicant shall not exceed the total contribution which the applicant(s) has paid.

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Rules and Regulations Governing Rendering of  
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Rule 14 continued

- 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

# EMERALD POINTE UTILITY COMPANY

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base</u> <u>Customer Charge</u>	<u>Proposed Base</u> <u>Customer Charge</u>	<u>Current</u> <u>Usage Rate</u>	<u>Proposed</u> <u>Usage Rate</u>
\$6.52	\$4.17	\$3.50	\$2.24

current service charge is monthly charge

Customer charge includes 2,000 gallons

usage rate is per 1,000 gallons used

### MONTHLY BILL COMPARISON

5,500 gallons/month usage

#### Current Rates

Customer Charge	\$ 6.52
Usage Charge	\$ 12.25
Total Bill	\$ 18.77

#### Proposed Rates

Customer Charge	\$ 4.17
Usage Charge	\$ 7.84
Total Bill	\$ 12.01

#### INCREASES

##### Customer Charge

\$ Increase	(\$2.35)
% Increase	-36.00%

##### Usage Charge

\$ Increase	(\$4.41)
% Increase	-36.00%

##### Total Bill

\$ Increase	(\$6.76)
% Increase	-36.00%

# Agreement Attachment G

## Water & Sewer Unit Memorandum

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

**Water and Sewer Unit**

**File No. WR-2013-0017**

**Emerald Pointe Utility Company (Water)**

**David Spratt / James Russo**

**Introduction**

This Report was prepared jointly by David Spratt and James Russo, Staff members of the Water and Sewer Unit of the Missouri Public Service Commission (Staff). The Staff member responsible for each section is denoted at the end of each section.

Emerald Pointe Utility Company (Emerald Pointe or Company) received a certificate of public convenience and necessity from the Missouri Public Service Commission (Commission) in September 1995 in case number WA-96-96. Mr. Gary Snadon, who is a developer and businessman in the area, owns the Company. The Company provides water and sewer service to approximately three hundred eighty (380) residential customers in a condominium village located in Hollister, Missouri in Taney County. Some are full-time residents and some are part-time vacationers who have (or visit) condominiums in the area.

On July 10, 2012, the Company filed a *Request for Increase in Annual Water System Operation Revenues* with the Commission seeking a \$13,000 rate increase. On August 19, 2012, the Company mailed out its Initial Customer notice. Staff received twenty-four (24) unique public comments. These comments generally focused on the amount of the increase and none of the comments addressed operational or service related issues. Staff performed a site-visit to Emerald Pointe's water systems on September 26, 2012.

The Company last filed a Small Company Rate Case in 1999, File Number 9900915, resulting in an increase in revenues and tariff rates effective in May of 2000. A Company/Staff Disposition Agreement providing for a \$2,500 increase in revenues was approved in the case. Therefore, the current rates have not changed since 2000. (Spratt)

**Facilities**

Emerald Pointe operates one Missouri Department of Natural Resources (MDNR) permitted well. The 60 horsepower pump produces about 260 gallons per minute. There are approximately 69,000 feet of 8" PVC mains in the ground providing water service to 384 customer in homes and condos in this area. The Company has a standpipe with a capacity of 177,000 gallons of storage, which is adequate storage for one day of use by the customers.

The well pump was replaced in 2004, and the motor was replaced in 2006. The well house was struck by lightning in 2010, which required the Company to replace the

control panel. The exterior of the standpipe was power washed at the time of Staff's site visit on August 18, 2010. There are currently no MDNR violations for this facility. (Spratt)

## **Operations**

The Company uses a contract operator, White River Valley Environmental, to perform the tasks that must be done by an MDNR certified operator. Emerald Pointe has a full time operator to perform the daily operations and maintenance for the Company. Both operators have a good working knowledge of the system and the industry. There were no operational issues at the time of Staff's inspection nor has Staff noticed any operational issues during previous inspections.

While at the well house, Staff observed the standard practices of the Company's operator and examined the parts of the system inside the well house. Readings were taken from the master water meter to determine the amount of water that had been pumped since the inspection conducted during the previous year. A reading was also taken from the electric meter to determine how much electricity had been used to pump and treat the water from the well since the previous inspection. Serial numbers were checked on both meters to ensure that the meters had not been changed in the past twelve months.

The pump to the well was turned on so Staff could make its own observation of the number of gallons pumped in one minute. The well head was inspected to make sure it was sealed and the vent was screened to prevent any infiltration points at the well. The piping of the system located inside the well house was checked for corrosion, leaks, and other possible concerns. (Spratt)

## **Tariff Review**

Staff continues the process of updating water and sewer tariffs as individual companies file rate cases with the Commission. Emerald Pointe's current tariff became effective May 31, 1996.

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 items used in its operation from the customers causing the event. 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 process of updating the current tariff, and after discussions with the Company, Staff made several changes. Staff increased the returned check charge from \$15 to \$25.

Staff also included new charges for physical disconnection and reconnection of service, as well as a service connection inspection fee and a water service line inspection fee. Both inspection fees will be \$25. If the water service is turned off either at the request of the customer or due to failure to pay the bill, there will be a \$30 charge for turning the water off and an additional \$30 charge for turning the water on. The customer late charges have been changed from \$3 or 2% of the monthly delinquent amount, whichever is greater, to \$5 or 3% of the monthly delinquent amount, whichever is greater. The new and updated tariff for Emerald Pointe will be filed by the Company as part of this current rate case proceeding. The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2 tariff. (Russo)

### **Rate Design**

Staff also reviewed the current rate design in its investigation. The current rate design is a monthly flat service charge for single-family dwelling based on the water meter size. All customers pay the same price for each thousand gallons of water consumed beyond the allotted 2,000 gallons included in the service charge. 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 and Recommendations**

Staff of the Water and Sewer Unit finds that the system is in good physical condition and is properly operating at this time. There have been no water operations issues so Staff has no operational recommendations at this time.

Staff is recommending several changes to the Company's tariff, including the following charges:

- New water service connection to the main will be billed at the actual cost to the customer.
- Water turn on and turn off charges will be \$30 for each occurrence.
- Service Connection Inspections will be \$25.
- Water Service Line inspections will be \$25.
- Returned check charges have been increase to \$25.
- Customer late charges have been changed to \$5 or 3% of the delinquent amount, whichever is greater.

# Agreement Attachment H

## Auditing Unit Recommendation Memorandum

# **AUDITING UNIT RECOMMENDATION**

## **M E M O R A N D U M**

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

**FROM:** Leslie Rose  
Lisa Hanneken  
Auditing Unit, Staff

**SUBJECT:** Emerald Pointe Utility Company  
Informal Rate Increase Request  
Case Nos. SR-2013-0016 & WR-2013-0017

**DATE:** **March 5, 2013**

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On July 16, 2012, Emerald Pointe Utility Company (Emerald Pointe or Company), owned by Mr. Gary Snadon, filed a request asking for a \$186,000 increase in rates for sewer service and an increase of \$13,000 in its annual water system revenues. The Company's request would represent approximately a 194% increase in existing sewer revenues and a 10% increase in existing water revenues. Emerald Pointe's last increase in water and sewer rates occurred on May 11, 2000. Emerald Pointe currently provides water and waste water treatment service to approximately 389 customers located in Taney County, Missouri including those acquired through an agreement with Branson Canyon, a development located close to the utility. On December 11, 2012, the Auditing Staff provided its audit findings to the Water and Sewer Unit based upon the Company's books and records at that point in time. However, as discussed in that memorandum, Emerald Pointe was in the process of constructing a sewer main in order to connect its system to the City of Hollister, Missouri. Since the time of Auditing's memorandum the Company has completed project. The project was placed in service on January 7, 2013. Staff has examined these costs and has given consideration for their inclusion as part of this rate proceeding. Furthermore, certain operational expenses were revised to reflect the completion of the project.

As this project mainly affects the sewer portion of the utility, the majority of the previous findings and recommendations regarding the water portion remain unchanged. However, Staff did update the dating of the plant for both the water and sewer portions to remain consistent. The following items detail the changes made to the Auditing Unit's findings related to Emerald Pointe's operations.

Based upon the Auditing Staff's investigation of the Company's books and records, with a twelve-month test year period ending June 30, 2012, updated through January 7, 2013, Staff has determined that an increase in sewer revenues of \$226,577 is necessary. The Staff's increase would represent a 283.32% increase in existing sewer rates. In addition, the water revenues would require a decrease of \$51,928 or 35.87%.

## CAPITAL STRUCTURE

The Company's capital structure consisted of debt in excess of 75 percent of its total capital. In such circumstances, Staff believes it is appropriate to use a hypothetical capital structure, which limits debt capital to 75 percent, for ratemaking purposes. As a result, Staff witness Zephania Marevangepo, estimated a Return on Equity (ROE) of 13.26 percent and a total overall Rate of Return/Weighted Average Cost of Capital (ROR/WACC) of 7.34 percent. The overall ROR was applied to the Company's rate base to develop the revenue requirement identified above.

### Plant, Reserve and Contributions In Aid Of Construction (CIAC)

The Auditing Staff has reflected all capital improvements shown to have been completed by Emerald Pointe through January 7, 2013, including the City of Hollister project, and the removal from service of the treatment plant. The chart shown below summarizes the Auditing Staff's calculations that support the amount of plant, depreciation reserve and contribution in aid of construction (CIAC) net of amortization that should appropriately be included in the cost of service calculation for the water and sewer utilities:

	Sewer Previous Findings		Sewer Current	
Plant	\$766,466		\$1,333,884	
Depreciation Reserve	\$577,668		\$230,358	
Net Plant		\$188,798		\$1,103,526
CIAC	\$150,171		\$96,874	
CIAC Amortization	\$52,670		\$(142)	
CIAC Net of Amortization		\$97,501		\$96,732
Inventory		\$0		\$0
Total Rate Base		<b>\$91,297</b>		<b>\$1,329,831</b>

To address the City of Hollister project, and the concurrent removal from service of the treatment plant, Staff has removed from the Company's plant amounts all items related to the treatment plant. This included the treatment plant itself, outfall sewer lines, UV disinfectant services, and all other related items. In some cases, as discussed in the Engineering and Management Services Unit's (EMSU) memorandum provided by Mr. Art Rice, the removal resulted in negative reserve. In order to address this issue, Auditing Staff made adjustments to move some of the negative reserve to another account, following Mr. Rice's recommendations in this case.

In addition to the removal of plant, the Auditing Staff also included plant related to the City of Hollister pipeline per the data received from the Company. This included the portion of pipeline which is owned by and located on Emerald Pointe property, lift stations which are required to pump the sewage through the pipeline and required items for the pipeline which were capitalized, such as easements and engineering costs.

Additionally, the Auditing Staff included an amortization of the Company's portion of the pipeline which is owned by the City of Hollister, but which was required to be paid for in part by Emerald Pointe, per their contract with the City of Hollister.

### **Depreciation**

The Audit Staff has included the depreciation rates as sponsored by Mr. John Robinett and Mr. Art Rice of the Commission's Engineering and Management Services Unit. Using these depreciation rates, the Auditing Staff included an annualized level of depreciation expense for Emerald Pointe based on the level of plant in service at January 7, 2013.

## **INCOME STATEMENT ADJUSTMENTS**

### **Contract Operations**

Emerald Pointe entered into an agreement with White River Environmental Services to provide operational services for both its water and sewer systems. The basic services encompassed in White River's \$1,000 per month (\$500 water/\$500 sewer) contract operations fee includes the completion of required testing and licensed operator responsibilities. In addition, White River provides repair and maintenance services as needed for an additional fee. Due to the elimination of its treatment plant, Emerald Pointe is no longer required by the Missouri Department of Natural Resources (MoDNR) to maintain a licensed wastewater operator. As a result, Staff has removed \$6,000 from its sewer Cost of Service calculation for White River to provide Emerald Pointe with licensed contractor services for its wastewater facility. The amount of additional testing and repair/maintenance costs were included in Staff's annualization for those items, which are discussed in each respective section.

### **Electricity for Plant**

The Auditing Staff normalized electricity expense for the water well, waste water treatment plant and lift stations by using historical kilowatt hour usage data. Staff then used these averages of usage to calculate the normalized electric expense for each system based on the most recent rates available from White River Valley Electric Cooperative. Due to the removal of the treatment plant, Staff has reduced the test year amount by \$17,054 to account for the elimination of the need for electricity related to the treatment plant. Conversely, Staff has increased its annualization of electricity by \$3,081 to account for the addition of two lift stations related to the pipeline. Staff estimated the amount of annual electricity to run these lift station by estimating the gallons per day per customer to obtain the kilowatt hours used per month. Staff has included a total of \$8,450 in its sewer cost of service.

### **Sludge Hauling Expense**

During the test year, Boerman Pumping/Cardwell Septic is responsible for all of Emerald Pointe's sludge hauling. However, upon completion of its connection to the City of Hollister, Emerald Pointe no longer has a need for these services going forward. Therefore, the total test year amount of \$3,755 was removed from Staff's sewer cost of service.

### **Sewage Treatment Fees**

Upon completion of the pipeline project, Emerald Pointe began sending the sewage which was previously treated at Emerald Pointe's treatment plant through the pipeline to the City of Hollister for treatment. The

contract currently in place regarding the treatment states that Emerald Pointe will pay the City of Hollister \$2.52 per 1,000 gallons of sewage flowed to the City of Hollister for treatment. Staff has included an amount of \$69,463 to account for this new expense now being incurred by Emerald Pointe.

### **Chemicals**

Prior to the completion of its City of Hollister project, Emerald Pointe was required by the Missouri Department of Natural Resources (MoDNR) to provide treatment at its waste water treatment system. Emerald Pointe used aluminum sulfate as part of its wastewater treatment process, and spent \$9,755 during the test year on this treatment. As this expense is no longer necessary, Staff has removed the entire amount from its sewer cost of service.

### **Repairs and Maintenance**

Previously, the Audit Staff reviewed all invoices related to repairs and maintenance expense including those involving outside services, beginning July 2006. Based on the individual historical data, Staff utilized a five-year average of repairs and maintenance expenses to develop an ongoing level of expense for sewer operations. This included expenses related to the treatment plant, mowing expense for the treatment plant, as well as costs for the UV disinfection performed at the treatment plant. Due to the removal of the treatment from service, all of these items were likewise removed from Emerald Pointe's repairs and maintenance expense. This resulted in a reduction of the repairs and maintenance expense of \$1,390.

Additionally, due to tariff changes proposed by Staff's Water and Sewer Unit involving grinder pump maintenance, the Auditing Staff has included an estimated amount of expense related to maintaining currently customer owned grinder pumps on a going forward basis. Emerald Pointe currently provides maintenance for the grinder pumps located in the Branson Canyon subdivision, per its contract with that subdivision. However the new tariff provisions would require the Company to also maintain the grinder pumps in the Emerald Pointe subdivision. Staff has included an amount of \$5,338 for this ongoing maintenance based on a five-year average of the current amounts being incurred for maintenance of the Branson Canyon grinder pumps.

Taking into account both of these changes, Staff has included a total of \$15,195 as an ongoing level of expense for the Company's sewer operations.

### **Legal Fees**

Some of the legal fees Staff reviewed were related to the ongoing sewer extension project in order to connect to the City of Hollister. Given that the City of Hollister project has been included in Emerald Pointe's plant in service calculation, the legal costs associated with the capital project have been capitalized and are included in the total plant in service previous shown above. In addition, some of the legal fees were related to the Company's recent expansion of its certificated area. These expenses have been included in the Company's legal fee expense, for recovery over a five-year period.

### **MoDNR Fees**

The Missouri Clean Water Law requires that all sewer utilities pay an annual operating permit fee to the MoDNR for each wastewater treatment plant that discharges to the waters of the state of Missouri. Prior to completion of the City of Hollister project, Emerald Pointe was assessed \$3,000 annually for this

permit fee. However, going forward Emerald Pointe should not incur this permit fee as they are no longer operating a treatment plant. Staff has removed \$3,000 from the test year to account for this change.

### **Property Taxes**

Emerald Pointe is located solely in Taney County, Missouri; therefore, Taney County is the only taxing authority that requires the Company to pay property tax. Given that the treatment plant is no longer in service and all other in service sewer facilities are located on easements or right of ways, Staff has not included any property taxes on a going forward basis related to the Company's sewer operations.

### **Company Performance Issues**

As discussed in the Auditing Staff's previous memorandum, several performance issues were discovered during its audit. Staff has been given no evidence that its findings were invalid; therefore, its previous findings in this area are detailed below:

- 1) The utility has been paying interoffice company bills and taking interoffice company customer payments.
- 2) The Company is not adequately utilizing its Thoroughbred Software for customer billing and payments. Therefore, it is difficult to track customers, payments, and other information.
- 3) The Company has erroneously overcharged its water customers for late fees and its sewer customers for its tariffed monthly sewer rates as well as late fees, in addition to reconnection fees.
- 4) The Company has inappropriately collected customer deposits from all water and sewer customers and has failed to return those customer deposits to customers. Furthermore, the Company has not kept adequate records regarding customer deposits and accumulated interest, which would allow them to be refunded accurately to each customer after a given time frame.
- 5) The Company has failed to maintain proper plant, reserve, depreciation, and CIAC records.
- 6) The Company has collected tap on fees, which are not approved in its tariff.
- 7) The Company has failed to keep time sheets and vehicle logs.
- 8) Given that their current annual report does not accurately reflect their assets, the 2013 annual report needs to ensure changes implemented in the rate case are reflected. If they need assistance with accurately completing their annual report, they need to contact Staff in a timely manner.
- 9) Emerald Pointe has failed to properly reread meters when readings are inaccurate.

### **AUDITING STAFF RECOMMENDATIONS**

The Audit Staff recommends that an increase of \$268,611 in sewer revenues is appropriate and reasonable. However, the Staff's recommendation for rate relief is conditional on a determination of the appropriate treatment of the over-charges the Company has collected. This over-collection was from all of its customers for monthly sewer service, for water and sewer service late fees, and reconnection fees, as well as all inappropriately collected customer deposits.

The Audit Staff recommends that the Commission order the Company:

1. To stop taking payments for other affiliated companies owned by the parent company and reimbursing these other affiliated companies. The Company should also stop paying bills owed by affiliated subsidiaries of the parent company and then getting reimbursed by the affiliate company. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, WR-2013-0017.*
2. To maintain a record of all customer payments and late fees as well as all customer deposits and reconnect fees received. Emerald Pointe's Thoroughbred program already has the ability to track late charges and fees, adjustments, deposits, taxes, payments received as well as the usages and current charges, and the Company should utilize the program more effectively. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, WR-2013-0017.*
3. To reread meters when necessary to accurately bill customers in a timely manner and to maintain accurate billing records. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
4. To make adjustment to its books and records regarding the plant-in-service, depreciation reserve and CIAC balances necessary to reflect the amounts determined by Staff in the calculation of the Company's overall cost of service calculation at November 30, 2012 for its water operations and January 7, 2013 for its sewer operations. 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, CIAC, 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. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
5. To maintain all of its financial records in accordance with the Commission's Uniform System of Accounts (USOA). *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
6. To develop Continuing Property Records (CPR) for all of its Missouri utility plant-in-service and maintain records regarding contributions in aid of construction (CIAC) so that it can be determined who made such contributions and on what date the contributions were made or paid. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
7. To develop, implement and maintain records of all new construction connections. These records will, at a minimum, include the customer name, address, any applicable meter or pump serial number, date of connection, dollar amount of tap-on fees, CIAC charges, connection fees and

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

8. To maintain a record of its meters pursuant to Commission Rule 4 CSR 240-10.030 (2). *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
  
9. To maintain a record of its master meter reads for its well in a more complete and accurate manner. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*
  
10. To maintain a record of its appropriately obtained customer deposits in a manner which allows for the accurate calculation of the amount of deposit and interest to be returned to each customer. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case.*

Agreement Attachment I  
Auditing Report-Overcharges

# **AUDITING UNIT RECOMMENDATION**

## **M E M O R A N D U M**

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

**FROM:** Leslie Rose  
Lisa Hanneken  
Auditing Unit, Staff

**SUBJECT:** Emerald Pointe Utility Company  
Informal Rate Increase Request  
Case Nos. SR-2013-0016 & WR-2013-0017  
Refund of Overcharges by Company

**DATE:** **March 5, 2013**

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On July 16, 2012, Emerald Pointe Utility Company (Emerald Pointe or Company), owned by Mr. Gary Snadon, filed a request asking for a \$186,000 increase in rates for sewer service and an increase of \$13,000 in its annual water system revenues. During the Auditing Staff's processing of the rate case audit, the Audit Staff became aware that the Company had notified the Missouri Public Service Commission of their recent discovery that the Company was overcharging its customers for many items, most notably for an erroneous calculation of their tariffed sewer rates. From the time that rates were effectuated in May 2000 until early 2012, Emerald Pointe had been erroneously charging its sewer customers a commodity-based rate in addition to its base rate. In addition, the Company was charging its sewer and water customers a 10% late fee instead of the Commission ordered 2% or \$3.00 (whichever is greater). Furthermore, Emerald Pointe has been incorrectly charging \$40 for water reconnection fees instead of the Commission ordered \$30. Staff is seeking a full refund to customers for the amount of all of these overcharges, with interest, that have occurred during the last five years.

In addition to the overcharges described above, Staff is aware that the Company has failed to return customer deposits to its customers, with interest, and in the time frame provided for in its water tariff. Staff is also seeking that all deposits be returned, with the applicable interest, to the Company's customers as per their tariff.

### **OVER-COLLECTION**

#### **Sewer Commodity Charge**

Per Emerald Pointe's sewer tariff which was ordered by the Commission, the Company is only authorized to charge a flat-rate sewer fee based upon the size of the customer's water meter; the Company has, in addition to charging the flat-rate per their tariff, been charging a commodity-based rate which is not listed in their tariff. As stated above, since the time the Company's rates were effectuated in May 2000 until early 2012, the Company charged a commodity rate to its sewer customers of \$3.50 per 1,000 gallons of water usage. Therefore, a refund of over-collection of these commodity charges, with interest, is due to

each affected customer. Staff has calculated that a total of \$187,683 of commodity-based fees and \$69,567 of associated interest should be refunded to the affected customers. Staff has also calculated a monthly amount per customer to be refunded based on certain variables. Please note that the interest amount will vary based upon the date the refund is provided to customers.

### **Late Fees**

Per each of Emerald Pointe's tariffs (water and sewer), the Commission ordered late fees of 2% or \$3.00 (whichever is greater); the Company has instead been charging a 10% late fee. Therefore, a refund of over-collection of late fees, with interest, is due to each affected customer. Staff has calculated that a total of \$4,172 of late fees and \$1,631 of associated interest should be refunded to the affected customers. Please note that the interest amount will vary based upon the date the refund is provided to customers.

### **Reconnection Fees**

Per Emerald Pointe's tariffs, the Company is allowed to charge water reconnection fees of \$30; the Company has instead been charging \$40. Therefore, a refund of \$10, with interest, is due to each affected customer. As with the other records the Company has provided, a complete historical data record for reconnection fees is not available. Reconnection fees are listed on the general ledger as to how much in reconnections fees were collected each month and on what date, however Staff cannot accurately and completely determine to whom the refund is due, with applicable interest, due to the lack of Company records. Staff has calculated that a total of \$280 of reconnection fees and \$53.65 of associated interest should be refunded to the affected customers. Please note that the interest amount will vary based upon the date the refund is provided to customers.

### **CUSTOMER DEPOSITS**

Per Emerald Pointe's tariff for water service, the Company is allowed to require a security deposit for new service in certain circumstances, such as when the new customer has an unpaid balance with another utility providing water service, or in the case of an existing customer in such circumstances as disconnection. In addition, the deposit is subject to a 6% annual interest rate, as well as a refund at the end of a one year period of successful payment habits. The amount of the deposit to be collected is listed per the tariff as:

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.

However, during Staff's audit, Staff discovered the Company has been requiring deposits for all customers in the amount of \$30, and only refunding the deposit should a customer leave the system. Presumably all 389 current customers have paid this deposit, as well as former customers who have left the system. Staff has found some evidence that the Company refunded the deposit amount to those customers who have left the system; however, there is no evidence the Company has ever returned the deposit with interest.

Staff has been able to determine that a refund of deposits, with interest, is due to the majority of Emerald Pointe's customers. As with the other records the Company has provided, a complete historical data record for deposits is not available. Therefore, Staff is unable to accurately and completely determine the amount of refund due to each customer with the applicable interest due to the lack of Company records.

Staff would recommend, to such extent that individual customer deposit records exist, that those customers be refunded the appropriately calculated deposit and interest amount. For the Company's remaining customers, for which no deposit records exist, Staff recommends that the \$30 deposit amount be refunded, with interest calculated on the deposit amount from the time the customer came to the system through the date of which the refund takes place.

Staff has estimated from the data the Company was able to provide, that \$11,730 of deposits and approximately \$17,668 of interest is to be refunded. It should be noted, that the amount of interest will vary depending upon which day the refund is provided to customers.

### **AUDITING STAFF RECOMMENDATIONS**

The Audit Staff recommends that the Staff's recommendation for rate relief in Emerald Pointe's rate case be conditional on a determination of the appropriate treatment of the over-charges the Company has collected. This over-collection was from all of its customers for monthly sewer service, for water and sewer service late fees, reconnection fees, as well as all inappropriately collected customer deposits.

While the Audit Staff has made several recommendations in its memorandum regarding the rate case, it would also recommend, in regards to the Company's over-collection of fees, that the Commission order the Company:

1. To refund all applicable customer deposits with the prescribed interest per Emerald Pointe's tariff. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0017.*
2. To refund all applicable disconnect/reconnect overcharges, with an appropriate amount of interest, to each affected customer. *This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0017.*
3. To refund all applicable sewer commodity charges and late fees, with an appropriate amount of interest, to each affected customer. In the cases where the affected customer is an existing customer, the calculated monthly refund should be provided on a monthly basis until such time as the entire amount has been refunded. In the event, that the affected customer has previously left the system, the Company shall make all reasonable efforts to locate the former customer and refund the entire amount either by a lump sum payment or through monthly payments. If the former customer is not able to be located by the Company, then the refund amount shall be sent to the Missouri State Treasurer's Office to be placed in the Unclaimed Property Fund according to all State guidelines for such an action. *The Company's plan to complete this recommendation should be completed within thirty (30) days of the effective date of any Commission order issued in this case and submitted to Staff for its approval. In addition, quarterly updates of the refund process, including an accounting of all monies involved, shall be provided to the Commission Staff until such time as all monies have been refunded.*

# Agreement Attachment J

## EMSU Report

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

## **Engineering and Management Services Unit**

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

**File No. SR-2013-0016**

#### **Emerald Pointe Utility Company**

**Debbie Bernsen**

The Engineering and Management Services Unit (“EMSU”) staff of the Missouri Public Service Commission (“Commission” or “MoPSC”) initiated an informal review of the customer service and business processes, procedures and practices of Emerald Pointe Utility Company (“Emerald Pointe” or “Company”) in Hollister, Missouri, in September 2012. The review was performed in conjunction with the Company’s request for a rate increase in File No. SR-2013-0016 filed on July 16, 2012. The Company is requesting an increase of \$186,000.00 in its annual water system operating revenues. This request represents an increase of approximately 194% to 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 on August 14, 2012, and conducted interviews with Company personnel on September 18, 2012.

The EMSU staff’s review of the Company resulted in the following recommendations:

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

- 1. Develop and utilize time sheets to record work assignments and the time associated with each work assignment. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0016.*
- 2. Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information on activity, location and the miles driven. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0016.*
- 3. Develop and initiate a system for documenting customer contacts in compliance with Commission Rule 4 CSR 240-60.010(4). This recommendation should be completed within thirty (30) days of the effective date of any Commission order issued in this case, SR-2013-0016.*

4. Develop and make available to all current and future customers written information specifying the rights and responsibilities of the Company and its customers. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0016.

The purpose of the EMSU is to promote and encourage efficient and effective utility management. This objective contributes 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 focused on processes, procedures, and practices related to:

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

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

## **Overview**

Emerald Pointe Utility Company was originally certificated by the Commission in 1996 to provide water and sewer service in an area in Taney County, Missouri. In May 2012, the Company filed an Application with the Commission to construct additional facilities for its sewer system. This application was assigned File No. SA-2012-0362. The Commission approved the Company's request and allowed Emerald Pointe to obtain access to an alternate wastewater treatment plant which is owned and operated by the City of Hollister.

The Company provides water and sewer service to approximately 389 active water customers and 364 active sewer customers in the Emerald Pointe and Branson Canyon developments on Table Rock Lake south of Hollister, Missouri. The Company was developed

to provide water and sewer services to land developments in the Branson area and is owned by Gary Snadon, who is the President of the Shepherd of the Hills Entertainment Group (Shepherd of the Hills). Emerald Pointe Utility Company is a wholly owned and operated subsidiary of the Shepherd of the Hills.

As stated previously, the Company provides both water and sewer services. The water system includes a 177,000 gallon standpipe and a 1,500 foot deep well. The sewer system includes a 77,900 gallon per day extended aeration treatment system.

The Company has no specific employees that have sole responsibility for the water and sewer operations. Instead, several employees of the Shepherd of the Hills also have responsibilities for the Emerald Pointe Water or Emerald Pointe Sewer Company operations in addition to their Shepherd of the Hills Company job activities. The Company has a Facility Manager (Manager), whose primary duties include daily oversight of all operating and administrative functions associated with the Company. This Manager also submits monthly meter readings for billing purposes and responds to all customer inquiries. Daily field operations are completed by an employee who also works for the Emerald Pointe properties and is employed by the Shepherd of the Hills. The Manager utilizes a vehicle owned by the Shepherd of the Hills organization and does not maintain mileage logs for water or sewer company work. White River Environmental Services are retained under contract to perform the necessary testing and reporting requirements for the Commission and the Department of Natural Resources. The contract was developed in 2007 and has an ongoing renewal provision. The Company is billed a specific amount on a monthly basis for work described in the contract. A schedule of rates for additional services is also included.

An employee within the Accounting group of the Shepherd of the Hills has responsibility for computing billings. Meter readings are entered into the billing software in order to produce a bill. Two other employees of the Shepherd of the Hills also have responsibility for operations and financial functions at the Company. One employee has oversight and regulatory responsibility and the other employee has responsibility for accounting functions. All of the aforementioned employees are primarily employees of the Shepherd of the Hills and have specific responsibilities with the Emerald Pointe Water or Sewer Company. These employees indicated that they are salaried employees and do not utilize time sheets to track activities specific to the operations of the utility company. They indicated they receive a percentage based

fee for their services to the utility companies. The Auditing staff of the Commission will discuss employee salaries in their report. The Company states that any outside contractor submits detailed invoice billings for time and materials to the Manager.

The business office is located at 118 State Drive in Hollister, Missouri, and is open from 8 a.m. to 5 p.m., Monday through Friday. Customers may make payments or inquiries during business hours. Customers can also contact the Company by calling the business phone number. If the Company is unable to answer the phone, the customer is offered the option to leave a message. The direct number for the Manager is also posted at the marina. Customers have these numbers because this individual is also responsible for facilities at the properties. The Company indicated that someone is available at all times to handle emergency issues by also providing the cell phone number of the Manager on the answering machine.

### **Customer Billing**

Customers wishing to initiate service must complete an installation form and return it to the Company with a \$30 required deposit. The deposit may be paid by cash, check or credit card and must be received before service can begin. The deposit may be waived if the individual is a previous or current customer in good standing or provides a letter of good standing from another utility. However, the Company indicated that deposits are collected from all customers and will be returned when the customer leaves the utility system. Interest is not paid on deposits.

The Company indicated that it had some growth in the number of new customers over the last three years. The number of new customers it reported for 2010 was 37, for 2011 it was 37 and for year-to-date September 2012 there were 25 new customers.

Customers' sewer charges consist of a monthly customer charge of \$13.63 served by a 5/8" water meter, \$34.08 served by a 1" water meter and \$109.06 served by a 2" water meter. These rates took effect on May 10, 2000.

Customer billing is completed by an employee in the Accounting area utilizing software for billing by Thoroughbred Utility Manager XP+. The Company has used the system for about 10 years and has recently considered purchasing an update to allow them to electronically access and print historical data. Over the course of two days at the end of the month, data is entered including meter readings, late fees are applied as appropriate and pre-authorized credit card payments are entered.

Customer bills include information for both water and sewer service, the last date read, previous and current readings, the water primacy fee, any late charges, sales tax and any previous balance.

Customer payments for bills are due on the 21<sup>st</sup> of the month. The Company has the authority to charge a late fee of \$3.00 or two percent per month times the unpaid balance, whichever is greater, on accounts that are delinquent. Accounts are considered delinquent on the 22<sup>nd</sup> day after a bill is rendered. In response to an information request, the Company reported that 108 customers had been assessed a total of \$329.89 in late fees over the last three years.

### **Payment Remittance**

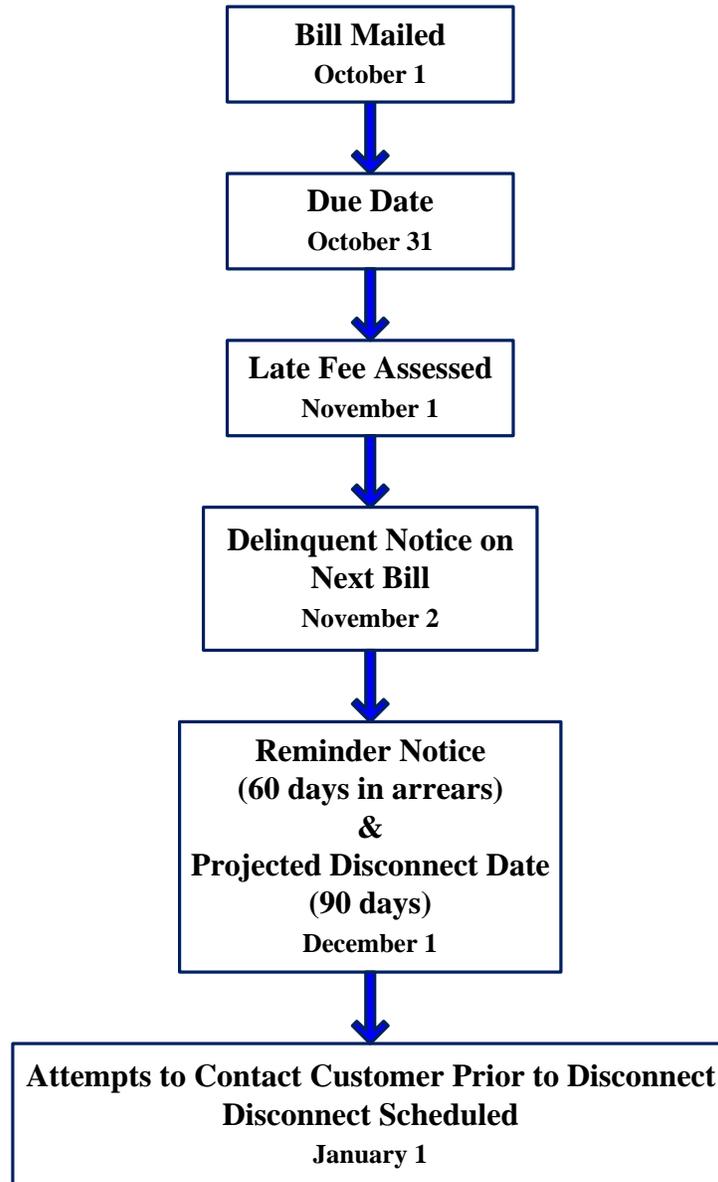
Customers may walk in or mail their bills and may pay by cash, check or credit card. Most customers pay by check (about 80%), with credit cards representing the second most popular option (about 20%). Some customers have credit card account number information on file with the Company and request them to charge their bill payment every month. Few customers pay by cash. Payments are posted as they are received, and a majority of the payments are posted the same day. Bank deposits are made as needed, but normally at the end of each day. Checks returned from the bank for insufficient funds are assessed a \$15 fee on the customer's account. The Company indicates it has not received any insufficient funds checks in the last three years.

### **Credit and Collections**

If the customer has not paid their bill by the next billing cycle, a note at the bottom of the next bill alerts them that they have a past due balance. If the bill remains unpaid after 60 days, the customer is mailed a reminder notice regarding the past due balance that alerts them to a projected disconnect date that will occur in approximately 60 days. An additional reminder is mailed at 90 days. If the account remains unpaid, the disconnect date is scheduled for 30 days later.

The following timeline illustrates the actions that would typically be taken on a delinquent account.

### **Water Billing & Collection Time Line**



*Source:* Information provided to MoPSC staff by the Company.

The Company performs water service discontinuances for nonpayment of water or sewer bills. There were no discontinuances of service for nonpayment in 2010 and in 2011, two customers had water discontinued. As of October 31, 2012, there were no water discontinuances

performed in 2012. The Company indicates it strives to contact its customers to avoid discontinuances of service due to nonpayment.

The Company does not utilize a collection agency for delinquent accounts. The Staff was provided with figures for the amount of write-offs for years 2010, 2011 and 2012. The Company provided the figures presented in the table below.

**Emerald Pointe Bad Debt Write-Offs**

2010	2011	2012
\$805.57	\$6.12	\$0

*Source: Company response to MoPSC staff information request #34*

The EMSU staff is aware that the figures displayed above illustrate an amount of write-offs that is different than those the Auditing staff was able to determine by its audit activities. These figures were provided to EMSU staff in response to an information request. There have been other instances of discrepancies in data provided to similar requests during the course of the MoPSC staff's audit. The Auditing staff will discuss this in more detail in its Memorandum.

**Complaints and Inquiries**

Customers with complaints or inquiries may call the Company at the office contact number or contact the Manager directly at any time. The Company indicated that they attempt to respond quickly to customer calls and that all emergency calls are handled promptly. The Company does not maintain documentation of complaints or inquiries. A review of Commission complaint/inquiry records registered through the Commission's Electronic Filing and Information System (EFIS) showed one complaint for 2010, no complaints in 2011, and none as of August 2012.

**Customer Communication and Records Storage**

Customer bills are the primary means of communicating with customers. There is no customer brochure communicating the Company's and customers' rights and responsibilities. Company personnel occasionally mail the customer specific information regarding water or sewer service quality reports.

The Company updates its electronic customer records on a daily basis and all records are kept electronically for a period of seven years.

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

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

- Time Records
- Vehicle Logs
- Complaint and Inquiry Documentation
- Customer Brochure

### **Time Records**

The Company staff does not complete time sheets to track the amount of time needed to complete activities. Company personnel have responsibility for a wide range of activities that are associated with the Shepherd of the Hills Entertainment Group and are unregulated non-utility functions. As such, it is very important that time sheets be used to track that time that is used in providing water and sewer service in order to ensure appropriate costs are included in rates. It is also critical to note specific types of activities, such as work on projects that are to be capitalized or ongoing maintenance functions to ensure the correct accounting for such time.

Maintaining accurate time records can serve and support several purposes, such as planning, budgeting, and human resources. Time records assist in tracking the amount of time employees expend on all projects, enabling management to more accurately schedule required work to increase operational efficiencies. Time sheets create a record, serving as visual feedback to management and the employees of the work and projects they have accomplished. Data contained in the time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employee time records are useful in the regulatory process to support the pay and benefits that regulated utilities will receive in customer rates.

*THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and utilize time sheets to record work assignments and the time associated with each work assignment. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0016.*

**Vehicle Logs**

Company employees do not keep vehicle logs to specify the mileage associated with the completion of water and sewer utility work. This lack of written documentation makes it difficult to determine the utilization of Company vehicles for specific activities. An appropriate vehicle log would provide this documentation. While not necessary, it may be useful to combine this vehicle log with a time sheet.

*THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information on activity, location and the miles driven. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2012-0016.*

**Complaint and Inquiry Documentation**

No record is kept of complaints and inquiries received by Company personnel. The lack of a record keeping system makes it impossible for the Company to provide accurate documentation of the nature of its customer contacts. In addition, Commission Rule 4 CSR 240-60.010(4) states:

The utility shall maintain a file of customer complaints received on the service it provides. The file shall include the name and address, as well as the nature of the complaint and date of occurrence.

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

*THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and initiate a system for documenting customer contacts in compliance with Commission Rule 4 CSR 240-60.010 (4). This recommendation should be completed within thirty (30) days of the effective date of any Commission order issued in this case, SR-2013-0016.*

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

The Company has not prepared comprehensive, written information documenting the rights and responsibilities of the Company and its customers. The availability of written information would provide useful facts relating to billing procedures, payment requirements, discontinuance of service, inquiries and complaints, and access to the Company, Commission, and the Office of the Public Counsel.

*THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers. This recommendation should be completed within ninety (90) days of the effective date of any Commission order issued in this case, SR-2013-0016.*

### **Implementation Review**

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

# Agreement Attachment K

## Summary of Case Events

Emerald Pointe Utility Company  
Case #WR-2013-0017  
Summary of Case Events

Date Filed	July 16, 2012
Day 150 Extension? If yes, why?	Yes Allow completion of capital improvement project.
Amount Requested	\$186,000
Amount Agreed Upon	(\$51,948)
Item(s)/Dollar(s) Driving Rate Decrease	Operational expenses lower than expected.
Number of Customers	389
Rate of Return	8.23%
Return on Equity	8.23%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SR-2013-0016 SF-2013-0346
Status with Secretary of State	Good Standing
DNR Violations	None
Significant Service/Quality Issues	None

## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

David A. Spratt – Water & Sewer Department

Lisa Hanneken-Auditing Department

Leslie Rose-Auditing Department

Arthur Rice – Engineering & Management Services Department

Deborah Bernsen – Engineering & Management Services Department

**BEFORE THE PUBLIC SERVICE COMMISSION**

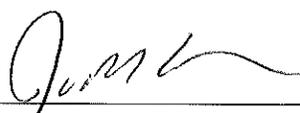
**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF JAMES M. RUSSO**

In the Matter of the Request for an Increase )  
in Water Operating Revenues of Emerald ) File No. WR-2013-0017  
Pointe Utility Company )

STATE OF MISSOURI )  
) SS  
COUNTY OF COLE )

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is a Rate & Tariff Examination Supervisor in the Missouri Public Service Commission's Water and Sewer Unit ; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A, E, F, G, and K to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A, E, F, G, and K to the Disposition Agreement; and (6) that the matters set forth in Attachment A, E, F, G, and K 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 13th day of March, 2013.

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**

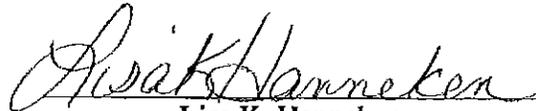
**AFFIDAVIT OF LISA K. HANNEKEN**

In the Matter of the Request for an )  
Increase in Water Operating Revenues of )  
Emerald Pointe Utility Company )

File No. WR-2013-0017

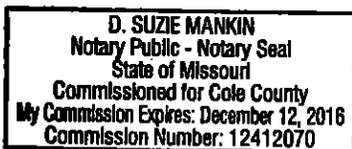
STATE OF MISSOURI )  
 )  
COUNTY OF COLE ) ss.

COMES NOW LISA K. HANNEKEN, being of lawful age, and on her oath states the following: (1) that she is a(n) 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 Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment B, C, H and I to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment B, C, H and I to the Disposition Agreement; and (6) that the matters set forth in Attachment B, C, H and 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 12<sup>th</sup> day of March, 2013.



Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF LESLIE ROSE**

In the Matter of the Request for an )  
Increase in Water Operating Revenues of )  
Emerald Pointe Utility Company )

File No. WR-2013-0017

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF ST. LOUIS )

COMES NOW LESLIE ROSE, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Regulatory Auditor I 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 Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment B, C, H and I to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment B, C, H and I to the Disposition Agreement; and (6) that the matters set forth in Attachment B, C, H and I to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.



Leslie Rose  
Utility Regulatory Auditor I  
Auditing Unit

Subscribed and sworn to before me this 12<sup>TH</sup> day of March, 2013.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

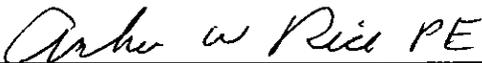
**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF ARTHUR W. RICE**

In the Matter of the Request for an )  
Increase in Water Operating Revenues of ) File No. WR-2013-0017  
Emerald Pointe Utility Company )

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

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

  
\_\_\_\_\_  
Arthur W. Rice, PE  
Utility Regulatory Engineer I  
Engineering & Management Services Unit

Subscribed and sworn to before me this 13<sup>th</sup> day of March, 2013.

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

