

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

| | | |
|--|---|---------------------|
| <i>Electronic</i> Application of Bluegrass Water |) | |
| Utility Operating Company, LLC for an |) | Case No. 2020-00290 |
| Adjustment of Rates and Approval of |) | |
| Construction |) | |

**Response to
Attorney General's Initial Data Requests**

Applicant Bluegrass Water Utility Operating Company, LLC (hereinafter "Bluegrass"), herewith submits its response to the Attorney General's Initial Data Requests. A signed, notarized verification for this Response appears on the following pages. The undersigned counsel is responsible for any objection noted for a particular response.

Respectfully Submitted,

/s/ Kathryn A. Eckert

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*Counsel for Bluegrass Water Utility Operating
Company*

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

I, Mike Duncan, Vice President of Central States Water Resources, Inc., the manager of Applicant Bluegrass Water Utility Operating Company, LLC being duly sworn, state that I prepared or supervised the preparation of the following responses to AG's First Request for Information, and that the matters and things set forth in the responses are true and correct to the best of my knowledge, information and belief formed after reasonable inquiry.


Mike Duncan

Subscribed and sworn to this 20th day of January 2021, before me a Notary Public in and before said County and State.


Notary Public



MERANDA K. KEUBLER
My Commission Expires
November 13, 2022
St. Louis County
Commission #14631487

(SEAL)

My Commission expires: 11/13/2022

Request

1. For each of the communities listed in paragraph 6 on pages 3-4 of the application, provide the following information:
 - a. The name and location of the system.
 - b. The number of customers in the system.
 - c. The type of utility services provided to the customers of that system.
 - d. The date on which the company obtained ownership of the system.
 - e. Identify all costs associated with the transfer of ownership, including the sale price for the system.
 - f. Provide a copy of each agreement by which the Company acquired each system at issue, or identify the location in the record where that agreement has been provided if it has already been provided.
 - g. Describe the physical state of the system at the time the company obtained ownership.
 - h. Describe in detail all improvements/renovations to the system since the company obtained ownership.
 - i. Describe all planned improvements/renovations for each system.
 - j. Identify all costs associated with the completed and contemplated improvements/renovations. Also, provide a breakout of all such improvements/renovations performed during the test year that have been placed into rate base.
 - k. Identify all operation and maintenance (“O&M”) needs and requirements for the system.
 - l. Identify all costs associated with system O&M.
 - m. Identify the number of unsold lots in each system.
 - n. Explain whether there is any new home construction in any of the neighborhoods that the Company provides utility service to, and if so, specify how many new customers will be coming onto the system.
-

Response

- a. See Table 1 on page 11.
- b. See Table 1 on page 11.
- c. See Table 1 on page 11.

- d. See Table 1 on page 11.
- e. See attachment labeled “1 AG 01_e”
- f. Purchase agreements relating to the respective systems were provided as exhibits to the Application filed seeking approval for the systems’ transfer/acquisition as follows:

Case No. 2019-00104, Application filed April 16, 2019

- Airview, Exhibit H
- Brocklyn, Exhibit I
- Fox Run, Exhibit J
- MCES, Exhibit E
- Kingswood, Exhibit G
- Lake Columbia, K
- LH Treatment, Exhibit F
- P.R. Wastewater, Exhibit D

Case No. 2019-00360, Application filed October 21, 2019

- Center Ridge, Exhibit C
- Joann Estates, Exhibit D
- River Bluffs, Exhibit E

Case No. 2020-00028, Application filed February 24, 2020

- Arcadia Pines/Heartland, Exhibit A-3
- Carriage Park, Exhibit B-3

- Marshall Ridge, Exhibit C-3
- Randview, Exhibit D-3

Case No. 2020-00297, Application filed September 16, 2020

- Delaplain Disposal Company, Exhibit G
- Herrington Haven Wasterwater Company, Inc., Exhibit H
- Springcrest, Exhibit I
- Woodland Acres, Inc., Exhibit J

These exhibits — redacted — are available as public filings in the respective cases.

Unredacted copies were filed with the Commission in those cases under seal. Unredacted copies of the purchase agreements are separately provided to the Attorney General’s office pursuant to a confidentiality agreement with respect to this proceeding.

g. Airview- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 7 line 4 and thereafter for the physical state of the Airview system at the time the company obtained ownership.

Brocklyn- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 14 line 4 and thereafter for the physical state of the Brocklyn system at the time the company obtained ownership.

Fox Run- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 19 line 11 and thereafter for the physical state of the Fox Run system at the time the company obtained ownership.

Golden Acres- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 25

line 4 and thereafter for the physical state of the Golden Acres system at the time the company obtained ownership.

Great Oaks- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 29 line 11 and thereafter for the physical state of the Great Oaks system at the time the company obtained ownership.

Timberland/Joann Estates- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 34 line 6 and thereafter for the physical state of the Timberland/Joann Estates system at the time the company obtained ownership.

Kingswood- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 40 line 3 and thereafter for the physical state of the Kingswood system at the time the company obtained ownership.

Lake Columbia- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 44 line 1 and thereafter for the physical state of the Lake Columbia system at the time the company obtained ownership.

Longview/Homestead Treatment- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 49 line 9 and thereafter for the physical state of the Longview/Homestead Treatment system at the time the company obtained ownership.

Persimmon Ridge- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 52 line 16 and thereafter for the physical state of the Longview/Homestead Treatment system at the time the company obtained ownership.

River Bluff- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 56 line 6 and thereafter for the physical state of the Longview/Homestead Treatment system

at the time the company obtained ownership.

Center Ridge (District 1)- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 60 line 8 and thereafter for the physical state of the Center Ridge (District 1) Drinking Water system at the time the company obtained ownership.

Center Ridge Water District No. 2- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 62 line 4 and thereafter for the physical state of the Center Ridge Water District No. 2 Drinking Water system at the time the company obtained ownership.

Center Ridge Water District No. 3- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 63 line 9 and thereafter for the physical state of the Center Ridge Water District No. 3 Drinking Water system at the time the company obtained ownership.

Center Ridge Water District No. 4- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 67 line 3 and thereafter for the physical state of the Center Ridge Water District No. 4 Drinking Water system at the time the company obtained ownership.

h. Airview- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 10 line 8 and thereafter for improvements/renovations to the system since the company obtained ownership.

Brocklyn- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 17 line 7 and thereafter for improvements/renovations to the system since the company obtained ownership.

Fox Run- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 21 line 7 and thereafter for improvements/renovations to the system since the company obtained ownership.

Golden Acres- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 27 line 6 and thereafter for improvements/renovations to the system since the company obtained ownership.

Great Oaks- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 31 line 9 and thereafter for improvements/renovations to the system since the company obtained ownership.

Timberland/Joann Estates- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 38 line 3 and thereafter for improvements/renovations to the system since the company obtained ownership.

Kingswood- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 42 line 3 and thereafter for improvements/renovations to the system since the company obtained ownership.

Lake Columbia- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 47 line 1 and thereafter for improvements/renovations to the system since the company obtained ownership.

Longview/Homestead Treatment- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 52 line 1 and thereafter for improvements/renovations to the system since the company obtained ownership.

Persimmon Ridge- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page

54 line 6 and thereafter for improvements/renovations to the system since the company obtained ownership.

River Bluff- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 58 line 6 and thereafter for improvements/renovations to the system since the company obtained ownership.

Center Ridge Districts 1-4- Please see Bluegrass rate case submission “BW_App_Exh_8-A” page 68 line 7 and thereafter for improvements/renovations to the system since the company obtained ownership.

- i. Airview- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 4 line 5 and thereafter for all planned improvements and renovations for the Airview system.

Arcadia Pines- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 6 line 8 and thereafter for all planned improvements and renovations for the Arcadia Pines system.

Brocklyn- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 8 line 5 and thereafter for all planned improvements and renovations for the Brocklyn system.

Carriage Park- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 18 line 13 and thereafter for all planned improvements and renovations for the Carriage Park system.

Fox Run- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 12 line 11 and thereafter for all planned improvements and renovations for the Fox Run system.

Golden Acres- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 14 line 16 and thereafter for all planned improvements and renovations for the Golden Acres

system.

Great Oaks- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 16 line 17 and thereafter for all planned improvements and renovations for the Great Oaks system.

Timberland/Joann Estates- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 18 line 16 and thereafter for all planned improvements and renovations for the Timberland/Joann Estates system.

Kingswood- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 21 line 12 and thereafter for all planned improvements and renovations for the Kingswood system.

Lake Columbia- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 23 line 14 and thereafter for all planned improvements and renovations for the Lake Columbia system.

Longview/Homestead Treatment- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 26 line 5 and thereafter for all planned improvements and renovations for the Longview/Homestead Treatment system.

Marshal Ridge- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 27 line 13 and thereafter for all planned improvements and renovations for the Marshal Ridge system.

Randview- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 29 line 8 and thereafter for all planned improvements and renovations for the Randview system.

Persimmon Ridge- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 31 line 20 and thereafter for all planned improvements and renovations for the Persimmon Ridge system.

River Bluff- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 33 line 7 and thereafter for all planned improvements and renovations for the River Bluff system.

Center Ridge Districts 1- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 35 line 11 and thereafter for all planned improvements and renovations for the Center Ridge Districts 1 system.

Center Ridge Districts 2- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 38 line 1 and thereafter for all planned improvements and renovations for the Center Ridge Districts 2 system.

Center Ridge Districts 3- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 39 line 17 and thereafter for all planned improvements and renovations for the Center Ridge Districts 3 system.

Center Ridge Districts 4- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 42 line 3 and thereafter for all planned improvements and renovations for the Center Ridge Districts 4 system.

Delaplain Disposal- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 44 line 11 and thereafter for all planned improvements and renovations for the Delaplain Disposal system.

Herrington Haven- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page

48 line 13 and thereafter for all planned improvements and renovations for the Herrington Haven system.

Springcrest Sewer- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 51 line 19 and thereafter for all planned improvements and renovations for the Springcrest Sewer system.

Woodland Acres- Please see Bluegrass rate case submission “BW_App_Exh_8-C” page 53 line 14 and thereafter for all planned improvements and renovations for the Woodland Acres system.

- j. Please refer to CIP schedule in Application Exhibit 17 Schedule B-5 (Financial Exhibit) for information on completed and contemplated improvements to the systems.
- k. Please see the response to 1 PSC 14.
- l. Please see the response to 1 PSC 14.
- m. Based on the information received from previous owners, Bluegrass has identified the following empty lots by system:

| System | Number of Empty Lots |
|-------------------------|----------------------|
| Fox Run Utilities | 4 |
| Longview/Homestead | 19 |
| Lake Columbia Utilities | 1 |

- n. Bluegrass has no accurate method to anticipate growth at this time. As more information becomes available, Bluegrass plans to provide any information about growth.

Table 1:
System name, location, type, acquisition

| name and location (a) | # customers YE 2020 (b) | type of utility service (c) | acquisition date (d) |
|---|--|--|-------------------------------------|
| Airview Utilities, Elizabethtown | 198 | Sewer | 9/19/2019 |
| Brocklyn Utilities, Richmond | 72 | Sewer | 9/17/2019 |
| Fox Run Utilities, Frankfort | 35 | Sewer | 9/30/2019 |
| Great Oaks, Paducah | 158 | Sewer | 9/30/2019 |
| Golden Acres, Paducah | 29 | Sewer | 9/30/2019 |
| Kingswood, Mt. Washington | 131 | Sewer | 9/16/2019 |
| Lake Columbia Utilities, Shepherdsville | 33 | Sewer | 9/24/2019 |
| Longview/Homestead, Georgetown | 328 | Sewer | 9/25/2019 |
| Persimmon Ridge, Louisville | 351 | Sewer | 9/16/2019 |
| River Bluff, Westport | 180 | Sewer | 4/30/2020 |
| Joann Estates, Paducah | 69 | Sewer | 4/30/2020 |
| Center Ridge, New Concord | 336 | Water | 5/29/2020 |
| Arcadia Pines, Paducah | 25 | Sewer | 11/19/2020 |
| Carriage Park, West Paducah | 40 | Sewer | 11/19/2020 |
| Marshall Ridge, West Paducah | 38 | Sewer | 11/19/2020 |
| Randview, Mayfield | 52 | Sewer | 11/19/2020 |
| Delaplain Disposal Company, Georgetown | 296 | Sewer | |
| Herrington Haven, Lancaster | 20 | sewer | |
| Springcrest Sewer, Lancaster | 42 | sewer | |
| Woodland Acres Utilities, LLC, Shepardsville | 104 | sewer | |

Request

2. Provide an analysis, including specifying rates, terms and tariffs that each system would be assigned if the costs of service were limited to the system being served and the company were not proposing unified rates as discussed at App. Exh. 8-A, Cox Testimony at 73.
-

Response

The requested analysis, including all related workpapers and calculations, is provided separately as an Excel workbook/spreadsheet with the file name *1-AG-02_Rate_Analysis.xlsx*.

Note that this analysis does not account for the economies of scale or pooled risk that are realized in Bluegrass Water's consolidated operations. Thus, the cost of service for each individual area is likely understated due to this factor not being incorporated into the analysis. In addition, the analysis does not incorporate refinements for expenses that are not directly proportional to system size, which would shift the resulting revenue requirements and rates among the systems.

Request

3. Describe the relationship between the company and Midwest Water Operations, LLC, including but not limited to describing any affiliation, common owners, and/or board members.
-

Response

Midwest Water Operations, LLC, is an unaffiliated, third-party vendor providing services to Bluegrass Water Utility Operating Company, LLC.

Request

4. Describe the relationship between the company and Nitor Billing Services, LLC, including but not limited to describing any affiliation, common owners, and/or board members.
-

Response

Nitor Billing Services, LLC, is an unaffiliated, third-party vendor providing services to Bluegrass Water Utility Operating Company, LLC.

Request

5. Identify all costs associated with installation and operation of remote monitoring at each system.
-

Response

The estimated cost to install and set up each Mission Remote Monitoring system is included in the capital estimate for each system included in “BW_App_Exh_8-C.” In addition to the set up and equipment fees, an annual subscription of \$560 is paid for each monitoring unit.

Airview- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 4 after line 15 for the estimated costs for installation and set-up of remote monitoring for the Airview system.

Brocklyn- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 8 after line 16 for the estimated costs for installation and set-up of remote monitoring for the Brocklyn system.

Fox Run- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 13 after line 2 for the estimated costs for installation and set-up of remote monitoring for the Fox Run system.

Golden Acres- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 15 after line 2 for the estimated costs for installation and set-up of remote monitoring for the Golden Acres system.

Great Oaks- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 17 after line 8 for the estimated costs for installation and set-up of remote monitoring for the Great Oaks system.

Timberland/Joann Estates- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 19 after line 7 for the estimated costs for installation and set-up of remote monitoring for the Timberland/Joann Estates system.

Kingswood- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 22 after line 5 for the estimated costs for installation and set-up of remote monitoring for the Kingswood system.

Lake Columbia- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 24 after line 7 for the estimated costs for installation and set-up of remote monitoring for the Lake Columbia system.

Longview/Homestead Treatment- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 26 after line 16 for the estimated costs for installation and set-up of remote monitoring for the Longview/Homestead Treatment system.

Persimmon Ridge- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 32 after line 5 for the estimated costs for installation and set-up of remote monitoring for the Persimmon Ridge system.

River Bluff- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 33 after line 17 for the estimated costs for installation and set-up of remote monitoring for the River Bluff system.

Center Ridge Districts 1- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 36 after line 4 for the estimated costs for installation and set-up of remote monitoring for the Center Ridge Districts 1 system.

Center Ridge Districts 2- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 38 after line 12 for the estimated costs for installation and set-up of remote monitoring for the Center Ridge Districts 2 system.

Center Ridge Districts 3- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 40 after line 17 for the estimated costs for installation and set-up of remote monitoring for the Center Ridge Districts 2 system.

Center Ridge Districts 4- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 42 after line 16 for the estimated costs for installation and set-up of remote monitoring for the Center Ridge Districts 2 system.

Delaplain Disposal- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 46 after line 9 for the estimated costs for installation and set-up of remote monitoring for the Delaplain Disposal system.

Herrington Haven- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 49 after line 19 for the estimated costs for installation and set-up of remote monitoring for the Herrington Haven system.

Springcrest Sewer- Please see the table from Bluegrass rate case submission “BW_App_Exh_8-C” beginning on page 52 after line 13 for the estimated costs for installation and set-up of remote monitoring for the Springcrest Sewer system.

Woodland Acres- Please see the table from Bluegrass rate case submission

“BW_App_Exh_8-C” beginning on page 54 after line 14 for the estimated costs for installation and set-up of remote monitoring for the Woodland Acres system.

Request

6. Discuss whether remote monitoring is necessary for the operation of a basic sewage plant and identify other cases where the Commission has approved costs related to remote monitoring.
-

Response

Objection: Bluegrass objects and declines to answer so much of this request as asks for research into Commission decisions, which are equally available to the Attorney General.

Without waiver of the objection, Bluegrass answers other parts of the request as follows.

Answer:

Bluegrass believes that remote monitoring is necessary for the operation of a basic sewage plant for the following reasons. Remote monitoring increases the effectiveness of operations at basic sewage plants and collection systems and drives down costs related to improvements and environmental compliance that would otherwise be passed through to customers.

Remote monitoring also provides immediate live alerts to operations staff when abnormal operating conditions occur at a plant or lift station. This enables the operations staff to respond immediately to a problem -- often before a problem can damage equipment, cause issues for customers, cause damage to the environment, or cause noncompliance with environmental regulation.

For example, if a lift station pump goes out of service, it will often go with no alert or report until the station fills and triggers a high-level alarm. Even then, only when a member of the community reports the alarm, or the operator sees that the alarm is going off will the operator respond to the problem and begin exploring what has gone wrong with the lift station and repairing or replacing the pump. This could mean that a lift station could overflow causing a

sanitary sewage overflow (a reportable event requiring cleanup and reports), or sewage could back up into customers' homes before the pump has been identified as nonfunctional and repaired or replaced. With the remote monitoring system, the operator would know immediately when a pump becomes inoperable and is able to address the problem long before the lift station fills, preventing the potential damage to the environment or to customers' homes. This results in improved service and a reduction in customer complaints. Similarly, the ability of remote monitoring to report abnormal operating conditions at the plant enables operators to quickly respond to abnormal treatment conditions and allows the plant to be run optimally, resulting in more efficient treatment and compliance with permitted limits.

Since our acquisition of the current systems, we see this in the trend of improved DMR test results at our facilities when compared to previous ownership. Without real-time information, plants often violate limits, not because they are incapable of meeting limits with existing equipment but because of less attentive operations practices. Remote monitoring is very effective at optimizing operational control and attentiveness, thus ensuring plants are run as efficiently as possible. In addition, alerting operators to abnormal conditions before they impact effluent quality reduces the likelihood permitted limits will be violated. This, in turn, drives down regulatory expenses of operating the plants.

Request

7. Identify and describe all penalties and/or fines paid to local, state, and/or federal regulators related to the systems and discuss whether those have been included in the costs of service. Provide a discussion on the Company's perspective of whether the shareholders should be responsible for any portion of such penalties and/or fines.
-

Response

Bluegrass Water has paid no fines or penalties to regulators for any of the systems it operates in Kentucky and no costs related to such penalties or fines are included in the revenue requirement. Whether shareholders should be responsible for a portion of any penalties or fines that may be assessed against Bluegrass Water in the future would depend on the nature of the penalty or fine and the circumstances that led authorities to levy it against the company.

Request

8. With regard to cash working capital:
 - a. Identify cases where the Commission has recently allowed a 45-convention or similar mechanism for cash working capital.
 - b. Identify cases where the Commission has recently required a lead/lag study and/or set cash working capital at \$0.
 - c. Discuss why the Commission should not require the company to complete a lead/lag study.
 - d. Discuss the cost of a lead/lag study.
-

Response

- a. Bluegrass objects and declines to answer this request for research into Commission decisions, which are equally available to the Attorney General.
- b. Bluegrass objects and declines to answer this request for research into Commission decisions, which are equally available to the Attorney General.
- c. The cost of a lead/lag study on accounts payable would outweigh the rate impact of using a 45-day generally accepted rule for accounts payable.
- d. The cost of a lead/lag study was estimated at \$25,000 for Bluegrass Water.

Request

9. With regard to the revenue requirement and utility plant in service UPIS):
 - a. Discuss whether UPIS for the forecasted test year includes all improvements for each system as detailed in the testimony of Jacob Freeman.
 - b. Specifically, are all necessary improvements as detailed in the testimony of Jacob Freeman to be recovered in a single year.
 - c. If not, discuss the schedule over which those costs will be recovered through rates.
-

Response

- a. The UPIS for the forecasted test includes all improvements for each system, as detailed in Mr. Freeman's testimony.
- b. The costs of these improvements will not be recovered in a single year but over the depreciated life of the asset (depreciation expense) and the cost on capital invested.
- c. Please see response to 1 AG 29.

Request

10. Identify all cases where the Commission granted a return on equity in excess of 95% over the past two years.

Response

Bluegrass objects and declines to answer this request for research into Commission decisions, which are equally available to the Attorney General.

Request

11. Provide the approved return on equity for each of Bluegrass' affiliated companies, and identify the state in which the companies are located in.

Response

Please see the attached Orders and Disposition Agreements from four (4) cases before the Missouri Public Service Commission.

| File No. | Documents | BW # Range |
|-----------------|---------------------------------|--|
| WR-2016-0064 | Report and Order | KY2020-00290_BW_79-KY2020-00290_BW_114 |
| WR-2017-0259 | Report and Order | KY2020-00290_BW_115-KY2020-00290_BW_188 |
| WR-2020-0053 | Order and Disposition Agreement | KY2020-00290_BW_189-KY2020-00290_BW_365 |
| WR-2020-0275 | Order and Disposition Agreement | KY2020-00290_BW_366- KY2020-00290_BW_375 |

These four Missouri cases represent all the rate-approval orders received by Bluegrass' affiliated companies. While return on equity is not explicitly stated in the cases, the attached orders and agreements give a full picture of the approved rates.

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



In the Matter of the Water Rate Request of)
Hillcrest Utility Operating Company, Inc.)

File No. WR-2016-0064 et al.

REPORT AND ORDER

Issue Date: July 12, 2016

Effective Date: August 11, 2016

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

In the Matter of the Water Rate Request of)
Hillcrest Utility Operating Company, Inc.) **File No. WR-2016-0064 et al.**

REPORT AND ORDER

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APPEARANCES

HILLCREST UTILITY OPERATING COMPANY, INC.:

Dean L. Cooper, Brydon, Swearingen & England, P.C., 312 East Capitol Avenue, P.O. Box 456, Jefferson City, Missouri 65102-0456.

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION:

Whitney Payne, Legal Counsel, **Jacob Westen**, Senior Staff Counsel, Post Office Box 360, Governor Office Building, 200 Madison Street, Jefferson City, Missouri 65102.

OFFICE OF THE PUBLIC COUNSEL:

Cydney D. Mayfield, Deputy Counsel, PO Box 2230, Jefferson City, Missouri, 65102.

SENIOR REGULATORY LAW JUDGE: Michael Bushmann

REPORT AND ORDER

I. Procedural History

A. Case Filing and Consolidation

On September 15, 2015, Hillcrest Utility Operating Company, Inc. (“Hillcrest”) filed a letter with the Missouri Public Service Commission (“Commission”) requesting that the Commission approve increases in its annual water and sewer operating revenues, which resulted in the Commission opening two cases, File Nos. WR-2016-0064 and SR-2016-0065. The case was initiated under Commission Rule 4 CSR 240-3.050, which describes the procedures by which small utilities, such as Hillcrest, may request increases in their overall annual operating revenues. On October 9, 2015, the Commission’s Staff filed a *Motion to Consolidate*, which requested that the Commission consolidate the two cases in the interests of administrative efficiency and economy of resources. The Commission granted the motion, consolidating both cases under File No. WR-2016-0064.

B. Test Period

The test period is a central component in the ratemaking process. Rates are usually established based upon a historical test year which focuses on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating expenses.¹ From these four factors is calculated the “revenue requirement,” which, in the context of rate setting, is the amount of revenue ratepayers must generate to pay the costs of producing the utility service they receive while yielding a reasonable rate of return to the

¹ *State ex rel. Union Electric Company v. Public Service Comm’n*, 765 S.W.2d 618, 622 (Mo. App. 1988).

investors.² A historical test year is used because the past expenses of a utility can be used as a basis for determining what rate is reasonable to be charged in the future.³ Because Hillcrest's parent company acquired the water and sewer system in March 2015, Staff used a test period in this case of the four months ending July 31, 2015, with an update period through October 31, 2015, to annualize the available Hillcrest revenue and expense information and develop its revenue requirement recommendation in this case.

C. Local Public Hearing

On February 18, 2016, the Office of the Public Counsel requested that the Commission schedule a local public hearing to give Hillcrest's customers an opportunity to respond to the requested rate increase. The Commission conducted a local public hearing in Cape Girardeau, Missouri, on March 9, 2016.⁴

D. Disposition Agreements

On March 25, 2016, the Commission's Staff and Hillcrest filed *Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* and *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, including various attachments related to the disposition agreements (collectively, the "Agreement"). The Agreement was a partial resolution of Hillcrest's water and sewer rate requests but left unresolved certain other issues for which Staff and Hillcrest requested an evidentiary hearing. The Office of the Public Counsel objected to the Agreement, so the Agreement became a joint position statement of the

² *State ex rel. Capital City Water Co. v. Public Service Comm'n*, 850 S.W.2d 903, 916 n. 1 (Mo. App. 1993).

³ See, *State ex rel. Utility Consumers' Council of Missouri, Inc. v. Public Service Comm'n*, 585 S.W.2d 41, 59 (Mo. banc 1979).

⁴ Transcript, Vol 1.

signatory parties, and all the issues addressed in the Agreement remained for determination after hearing.⁵

E. Evidentiary Hearing

The evidentiary hearing was held on May 19, 2016.⁶ During the hearing, the parties presented evidence relating to the unresolved issues previously identified by the parties.

F. Case Submission

During the evidentiary hearing held at the Commission's offices in Jefferson City, Missouri, the Commission admitted the testimony of eight witnesses and received twenty-seven exhibits into evidence. Post-hearing briefs were filed according to the post-hearing procedural schedule. The final post-hearing briefs were filed on June 15, 2016, and the case was deemed submitted for the Commission's decision on that date.⁷

II. General Matters

A. General Findings of Fact

1. Hillcrest Utility Operating Company, Inc. ("Hillcrest"), which holds the utility assets, is wholly owned by Hillcrest Utility Holding Company, Inc., which is wholly owned by First Round CSWR, LLC, which is managed by Central States Water Resources, Inc.⁸ Hillcrest provides water and sewer service to approximately 218 residential customers, twenty apartment customers, and four commercial customers located in Cape Girardeau County, Missouri.⁹

⁵ Commission Rule 4 CSR 240-2.115(2)(D).

⁶ Transcript, Vols. 2 and 3.

⁷ "The record of a case shall stand submitted for consideration by the commission after the recording of all evidence or, if applicable, after the filing of briefs or the presentation of oral argument." Commission Rule 4 CSR 240-2.150(1).

⁸ Staff Ex. 6, Griffin Rebuttal, p. 8.

⁹ Hillcrest Ex. 1, Cox Direct, p. 4.

2. The Office of the Public Counsel (“Public Counsel”) is a party to this case pursuant to Section 386.710(2), RSMo¹⁰, and by Commission Rule 4 CSR 240-2.010(10).

3. The Staff of the Missouri Public Service Commission (“Staff”) is a party to this case pursuant to Section 386.071, RSMo, and Commission Rule 4 CSR 240-2.010(10).

4. In File No. WO-2014-0340, Hillcrest applied to the Commission for approval to acquire its water and sewer systems from Brandco Investments, LLC (“Brandco”). Hillcrest sought permission to acquire the water and sewer assets and to issue indebtedness and encumber those assets in order to fund the construction necessary to bring the systems into regulatory compliance. The Commission issued an order in that case on October 22, 2014, that approved a stipulation and agreement, which provided that Hillcrest should be authorized to acquire and operate the water and sewer systems owned by Brandco and imposed certain other financial conditions. Hillcrest closed on the transaction with Brandco on March 13, 2015.¹¹

5. The water and sewer systems were in a complete state of disrepair when Hillcrest acquired the utility assets of Brandco.¹²

6. Since May 2014, the Hillcrest subdivision wastewater treatment plant had been under multiple compliance and enforcement actions from both the Missouri Department of Natural Resources (“MDNR”) and the Missouri Attorney General. Many years of general plant neglect and lack of investment by Brandco resulted in numerous MDNR citations for discharging wastewater directly into a creek without treatment during rain events, failing to disinfect sanitary sewer waste before discharging it into the adjoining

¹⁰ Unless otherwise stated, all statutory citations are to the Revised Statutes of Missouri, as codified in the year 2000 and subsequently revised or supplemented.

¹¹ Hillcrest Ex. 1, Cox Direct, p. 7-8.

¹² Hillcrest Ex. 1, Cox Direct, p. 8.

stream, and failing to treat waste for nutrient removal before discharge. In addition, the existing lagoon berm system was in significant danger of structural failure due to slope erosion and a lack of maintenance with the slope vegetation.¹³

7. MDNR issued citations for numerous regulatory violations for the Brandco drinking water system in the Hillcrest subdivision. Beginning in May 2014, the subdivision was put on an eight-week boil order due to positive E. coli test results in the water system.¹⁴

8. Before Hillcrest purchased the water and sewer systems, it entered into an agreement with MDNR that provided a means for the subdivision residents to receive water service. As part of this MDNR agreement, Hillcrest paid for emergency drinking water repairs, on-going drinking water system inspections, and a temporary chlorine disinfection system to protect subdivision residents.¹⁵

9. Hillcrest entered into a consent agreement with MDNR that required it to immediately make necessary improvements to the Hillcrest subdivision wastewater and drinking water systems.¹⁶

10. Hillcrest began construction on the drinking water and wastewater improvements approximately 30 days after it acquired those systems and completed the improvements in the fall of 2015. Hillcrest has invested approximately \$1,205,000 in the improved facilities.¹⁷

11. The Hillcrest water and sewer systems have not had a rate increase since April 9, 1989, and the cost of service has increased dramatically since that time.¹⁸

¹³ Hillcrest Ex. 1, Cox Direct, p. 8-9.

¹⁴ Hillcrest Ex. 1, Cox Direct, p. 9-10.

¹⁵ Hillcrest Ex. 1, Cox Direct, p. 11, Schedule JC-3..

¹⁶ Hillcrest Ex. 1, Cox Direct, p. 12, Schedule JC-3.

¹⁷ Hillcrest Ex. 1, Cox Direct, p. 12-13.

¹⁸ Staff Ex. 8, Harrison Direct, p. 4.

12. In its original rate request letter, Hillcrest set forth its request for an increase of \$236,016 in its total annual water service operating revenues and \$216,663 in its total annual sewer service operating revenues.¹⁹

13. Because Hillcrest's parent company acquired the water and sewer system in March 2015, Staff used a test period in this case of the four months ending July 31, 2015, with an update period through October 31, 2015, to annualize the available Hillcrest revenue and expense information and develop its revenue requirement recommendation in this case.²⁰

14. On March 25, 2016, the Commission's Staff and Hillcrest filed *Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* and *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*, including various attachments related to the disposition agreements (collectively, the "Agreement"). The Agreement was a partial resolution of Hillcrest's water and sewer rate requests but left unresolved certain other issues for which Staff and Hillcrest requested an evidentiary hearing. Since Public Counsel objected to the Agreement, it is a joint position statement, but Staff and Hillcrest urge the Commission to adopt its terms. Public Counsel only objected to the disputed issues addressed at the evidentiary hearing. The Agreement is attached hereto as Attachment A and incorporated herein by reference as if fully set forth.²¹

15. The Commission finds that any given witness' qualifications and overall credibility are not dispositive as to each and every portion of that witness' testimony. The Commission gives each item or portion of a witness' testimony individual weight based

¹⁹ Staff Ex. 1, Bolin Direct, Schedule KKB-d2, p. 1, 7.

²⁰ Staff Ex. 8, Harrison Direct, p. 3.

²¹ Staff Ex. 1, Bolin Direct, p. 2-3; Schedule KKB-d2.

upon the detail, depth, knowledge, expertise, and credibility demonstrated with regard to that specific testimony. Consequently, the Commission will make additional specific weight and credibility decisions throughout this order as to specific items of testimony as is necessary.²²

16. Any finding of fact reflecting that the Commission has made a determination between conflicting evidence is indicative that the Commission attributed greater weight to that evidence and found the source of that evidence more credible and more persuasive than that of the conflicting evidence.²³

B. General Conclusions of Law

Hillcrest is a “water corporation”, a “sewer corporation”, and a “public utility” as defined in Sections 386.020(59), 386.020(49), and 386.020(43), RSMo, respectively, and as such is subject to the personal jurisdiction, supervision, control and regulation of the Commission under Chapters 386 and 393 of the Missouri Revised Statutes. The Commission’s subject matter jurisdiction over Hillcrest’s rate increase request is established under Section 393.150, RSMo.

Sections 393.130 and 393.140, RSMo, mandate that the Commission ensure that all utilities are providing safe and adequate service and that all rates set by the Commission are just and reasonable. Section 393.150.2, RSMo, makes clear that at any hearing involving a requested rate increase the burden of proof to show the proposed increase is just and reasonable rests on the corporation seeking the rate increase. As the party

²² Witness credibility is solely a matter for the fact-finder, “which is free to believe none, part, or all of the testimony”. *State ex rel. Public Counsel v. Missouri Public Service Comm'n*, 289 S.W.3d 240, 247 (Mo. App. 2009).

²³ An administrative agency, as fact finder, also receives deference when choosing between conflicting evidence. *State ex rel. Missouri Office of Public Counsel v. Public Service Comm'n of State*, 293 S.W.3d 63, 80 (Mo. App. 2009).

requesting the rate increase, Hillcrest bears the burden of proving that its proposed rate increase is just and reasonable. In order to carry its burden of proof, Hillcrest must meet the preponderance of the evidence standard.²⁴ In order to meet this standard, Hillcrest must convince the Commission it is “more likely than not” that Hillcrest’s proposed rate increase is just and reasonable.²⁵

In determining whether the rates proposed by Hillcrest are just and reasonable, the Commission must balance the interests of the investor and the consumer.²⁶ In discussing the need for a regulatory body to institute just and reasonable rates, the United States Supreme Court has held as follows:

Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the services are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.²⁷

In the same case, the Supreme Court provided the following guidance on what is a just and reasonable rate:

What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure

²⁴ *Bonney v. Environmental Engineering, Inc.*, 224 S.W.3d 109, 120 (Mo. App. 2007); *State ex rel. Amrine v. Roper*, 102 S.W.3d 541, 548 (Mo. banc 2003); *Rodriguez v. Suzuki Motor Corp.*, 936 S.W.2d 104, 110 (Mo. banc 1996), citing to, *Addington v. Texas*, 441 U.S. 418, 423, 99 S.Ct. 1804, 1808, 60 L.Ed.2d 323, 329 (1979).

²⁵ *Holt v. Director of Revenue, State of Mo.*, 3 S.W.3d 427, 430 (Mo. App. 1999); *McNear v. Rhoades*, 992 S.W.2d 877, 885 (Mo. App. 1999); *Rodriguez v. Suzuki Motor Corp.*, 936 S.W.2d 104, 109 -111 (Mo. banc 1996); *Wollen v. DePaul Health Center*, 828 S.W.2d 681, 685 (Mo. banc 1992).

²⁶ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603, (1944).

²⁷ *Bluefield Water Works & Improvement Co. v. Public Service Commission of the State of West Virginia*, 262 U.S. 679, 690 (1923).

confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.²⁸

The Supreme Court has further indicated:

‘[R]egulation does not insure that the business shall produce net revenues.’ But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.²⁹

In undertaking the balancing required by the Constitution, the Commission is not bound to apply any particular formula or combination of formulas. Instead, the Supreme Court has said:

Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances.³⁰

Furthermore, in quoting the United States Supreme Court in *Hope Natural Gas*, the Missouri Court of Appeals said:

[T]he Commission [is] not bound to the use of any single formula or combination of formulae in determining rates. Its rate-making function, moreover, involves the making of ‘pragmatic adjustments.’ ... Under the statutory standard of ‘just and reasonable’ it is the result reached, not the method employed which is controlling. It is not theory but the impact of the rate order which counts.³¹

²⁸ *Bluefield*, at 692-93.

²⁹ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (citations omitted).

³⁰ *Federal Power Commission v. Natural Gas Pipeline Co.* 315 U.S. 575, 586 (1942).

³¹ *State ex rel. Associated Natural Gas Co. v. Public Service Commission*, 706 S.W. 2d 870, 873 (Mo. App. W.D. 1985).

Hillcrest and Staff signed and filed the Agreement, in which those parties reached agreement on most of the issues related to Hillcrest’s rate increase requests. Public Counsel objected, but only as to the disputed issues that were addressed at the evidentiary hearing. Based on the evidence in this case, the Commission concludes that acceptance of the provisions of the Agreement on the issues contained therein, other than those issues disputed at the evidentiary hearing, is a fair and reasonable resolution of those issues. The Commission will adopt the provisions of the Agreement, other than those issues disputed at the evidentiary hearing, as stated in Attachment A to this Report and Order.

III. Disputed Issues

A. Payroll

- **What level of experience should be used to set the labor expense associated with each employee?**
- **Should the Employment Cost Index inflation rates be applied in setting such amounts?**
- **What is the appropriate number of annual work hours to include in calculating salaries for each employee?**
- **What is the appropriate hourly rate for each employee?**
- **What are the appropriate job titles to use in MERIC to compare and determine labor expense associated with Mr. Josiah Cox and Mr. Jack Chalfant?**

Findings of Fact

1. Hillcrest has no employees. Several functions related to the operation of Hillcrest are provided by three employees of First Round CSWR, LLC (“First Round”) – a chief executive officer, a financial manager, and an administrative employee. A portion of the costs associated with those employees is then allocated to Hillcrest.³²

2. The Missouri Economic Research and Information Center (“MERIC”) is the research division for the Missouri Department of Economic Development. It provides

³² Transcript, Vol. 2, p. 96; Hillcrest Ex. 1, Cox Direct, p. 14.

analysis and assistance to policymakers and the public, including studies of the state's targeted industries and economic development initiative.³³

3. Staff developed the corporate payroll compensation for ratemaking purposes in this case by using MERIC data for the St. Louis region to compare regional base salaries to the base salary amounts sought by Hillcrest in this case for the three First Round employees.³⁴

4. The MERIC system provides three levels of wage estimates for each occupation. Those levels are "entry level", "mean level", and "experienced level". The entry level is the beginning level of each occupational study and is at the lowest pay level. The mean level is the mid-range of the pay scale and is an estimate of the hourly rate, which is calculated using the varying hourly rates of a group of workers in a specific occupation. The experienced level is at the top end of the scale, which are the highest paid employees in each occupation.³⁵

5. Hillcrest and Public Counsel do not disagree with the general approach of using MERIC data to establish labor costs for ratemaking purposes.³⁶

6. Hillcrest requests that the Commission use MERIC salaries for purposes of establishing the revenue requirement in this case corresponding to Experience Chief Executive for Mr. Josiah Cox, Experience Financial Manager for Mr. Jack Chalfant, and Experience Executive Administrative for Ms. Brenda Eaves, updated and adjusted for

³³ Staff Ex. 8, Harrison Direct, p. 5.

³⁴ Staff Ex. 8, Harrison Direct, p. 5.

³⁵ Staff Ex. 8, Harrison Direct, p. 5-6.

³⁶ Hillcrest Ex. 1, Cox Direct, p. 15; OPC Ex. 1, Roth Direct, p. 6.

inflation to the most recent reporting period of the Employment Cost Index for the U.S. Bureau of Labor Statistics.³⁷

7. In determining the annual amount of payroll for the three employees, Staff used the mean level of the MERIC occupational study to annualize the payroll. At the time Staff developed the cost of service for Hillcrest, all three First Round employees had a year of experience or less operating and running a regulated utility, and the company was just beginning to establish itself as a regulated utility.³⁸

8. All three employees had significant work experience in their respective fields before starting work with First Round.³⁹

9. Understanding the uniform system of accounts for managing a utility is radically different than Generally Accepted Accounting Principles, and understanding the tariffs associated with a regulated utility requires a specialized level of knowledge.⁴⁰

10. The data that Staff used for MERIC was taken from calendar year 2014. At the end of the update period in this case, this data was less than one year old.⁴¹

11. Hillcrest's parent company has already acquired three water and sewer systems and is planning to purchase more troubled systems, which will require the hiring of more employees to maintain the operations of Hillcrest and the other acquired utilities.⁴²

12. Staff was unable to calculate the number of annual work hours in determining the appropriate salaries for Mr. Chalfant and Ms. Eaves because they did not keep timesheets prior to November 2015.⁴³ Staff determined annual hours for Mr. Cox based on

³⁷ Hillcrest Ex. 1, Cox Direct, p. 17-18.

³⁸ Staff Ex. 8, Harrison Direct, p. 6; Transcript, Vol. 2, p. 96.

³⁹ Hillcrest Ex. 1, Cox Direct, p. 16-17.

⁴⁰ Transcript, Vol. 2, p. 95-96.

⁴¹ Staff Ex. 9, Harrison Rebuttal, p. 4.

⁴² Staff Ex. 9, Harrison Rebuttal, p. 2.

⁴³ Hillcrest Ex. 2, Cox Rebuttal, p. 13.

his timesheets, but Staff did not include those hours worked prior to the acquisition date of March 13, 2015, in annualized payroll expense. Those hours prior to March 13, 2015, were capitalized into plant in service and included as part of Hillcrest's rate base.⁴⁴

13. Hillcrest uses the titles of President and Chief Financial Officer for Mr. Cox and Mr. Chalfant, respectively.⁴⁵

Conclusions of Law and Decision

The Commission finds that Staff's approach to resolving all the payroll issues is the most reasonable. It was appropriate for Staff to select the "mean" experience level in using the MERIC data to establish labor expenses for each employee. Those employees have significant prior professional experience, so they should not be categorized as "entry." However, Mr. Cox admitted at the hearing that a utility's uniform system of accounts and regulated utility tariffs require specialized understanding beyond general business practices. Since all three employees had a year or less in working for a regulated utility, the "experienced" level is also not appropriate.

The Employment Cost Index inflation rates should not be applied in setting the labor costs in this case. The data that Staff used for MERIC was taken from calendar year 2014, so at the end of the update period in this case the data was less than one year old. Adjusting salaries for inflation is not necessary, and granting this unusual treatment would further increase rates, with little justification, that are already increasing significantly. In calculating salaries for each employee, the annual work hours determined by Staff should be used for Mr. Cox, based on his timesheets. Since Mr. Chalfant and Ms. Eaves did not keep time sheets during the test period, 14% of those two employees' annualized salaries

⁴⁴ Staff Ex. 9, Harrison Rebuttal, p. 3.

⁴⁵ Hillcrest Ex. 1, Cox Direct, p. 16-17; Staff Ex. 8, Harrison Direct, p. 4-5.

should be used.⁴⁶ The appropriate hourly rate for each employee should be those rates calculated by Staff based on its positions on the above issues.

The appropriate job titles to use in MERIC to determine labor expense for Mr. Cox and Mr. Chalfant are President and Chief Financial Officer, respectively. These are the titles presently used by Hillcrest to describe those two employees, and Staff's comparison of their job duties to MERIC found that these titles should continue to be used for ratemaking purposes. Since Hillcrest is part of a group of commonly-owned regulated utilities and has plans to acquire additional utilities, it is appropriate to assign employee titles similar to larger utilities rather than single utility companies.

B. Property Taxes

- **What is the appropriate amount of property taxes to include in the Hillcrest revenue requirements?**
- **Should estimated property tax amounts be included in rates?**

Findings of Fact

1. Property taxes are computed using assessed property values. Utilities are required to file with the taxing authorities a valuation of their utility property at the first of each year based on the January 1 assessment date. Several months later, the taxing authorities provide the utility with what they refer to as an "assessed value" for each category of property owned. Much later in the year (typically in the fall) the utilities are given the property tax rate. Property tax bills are then issued to the utilities with due dates of December 31 for each year based on the property tax rates applied to assessed value. For

⁴⁶ 14% refers to the corporate allocation percentage the Commission determines on page 33 below to be appropriate to apply to corporate costs for Hillcrest.

example, a utility will pay property taxes on December 31, 2015, based upon an assessment made of its asset values as of January 1, 2015.⁴⁷

2. Staff included \$164 for water and \$164 for sewer in the cost of service for property tax expense, based on Hillcrest's actual taxes paid as of December 31, 2015. This amount included Hillcrest's property taxes paid to Cape Girardeau County and Hillcrest's 14% share of First Round's St. Louis County property taxes, combined and allocated equally between Hillcrest's water and sewer operations.⁴⁸

3. The actual property taxes paid as of December 31, 2015, best matches the test period in this case, which ended October 31, 2015.⁴⁹

4. The term "matching principle" refers to the practice that all elements of the revenue requirement, including revenues, expenses, and rate base, be measured and included in the utility's cost of service at the same general point in time. It is very important that all elements of the revenue requirement be considered at a consistent point in time because various events cause changes to a utility's revenues, expenses, and rate base amounts, individually or in combination, causing the utility's overall revenue requirement to change over time. Reflecting changes to only one element of the revenue requirement in rates, in this case property taxes, without consideration of all other possible offsetting changes in the other cost of service components, would likely lead to a distorted and inaccurate level of customer rates.⁵⁰

5. Plant additions and improvements made by Hillcrest between April 1, 2015, and October 31, 2015, would not be assessed for property tax purposes until January 1,

⁴⁷ Staff Ex. 11, Sarver Direct, p. 3.

⁴⁸ Staff Ex. 11, Sarver Direct, p. 4-5.

⁴⁹ Staff Ex. 11, Sarver Direct, p. 5.

⁵⁰ Staff Ex. 11, Sarver Direct, p. 6.

2016, and will not be paid until December 31, 2016, which is fourteen months beyond the update period in this case.⁵¹

6. Hillcrest has requested that the amount of \$2,972 be included in its cost of service for property tax. This amount has not yet been paid, is an estimate of the property tax costs, and could change during the summer of 2016.⁵²

Conclusions of Law and Decision

Hillcrest has proposed that estimated property taxes in the amount of \$2,972 be included in its cost of service in this case. That estimated property tax will not be paid until approximately December 31, 2016, so it is beyond the test and update periods for this case. Since it occurs after the update period, to be included in Hillcrest's cost of service the expense must have been realized (known) and must be calculable with a high degree of accuracy (measurable).⁵³ However, the evidence shows that the 2016 property tax amount has not yet been paid, is an estimate of the property tax costs, and could change during the summer of 2016. Therefore, that property tax estimate is not known and measurable, so it is inappropriate to include that amount in the revenue requirement for this case. The correct property tax expenses to include in Hillcrest's cost of service are the amounts determined by Staff based on actual property tax paid in 2015, as those amounts are consistent with the matching principle.

In its initial brief, Hillcrest requested for the first time in this case that if it does not receive the \$2,972 in its revenue requirement, the Commission should authorize a refundable surcharge or a tracker for property taxes. Since this request was first submitted

⁵¹ Staff Ex. 11, Sarver Direct, p. 6.

⁵² Hillcrest Ex. 2, Cox Rebuttal, p. 20-21; Staff Ex. 11, Sarver Direct, p. 5.

⁵³ *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service*, ER-2014-0370, 2015 WL 5244724, at *71 (Sept. 2, 2015). *State ex rel. GTE North, Inc. v. Missouri Public Service Commission*, 835 S.W. 2d 356, 368 (Mo App. 1992).

in a brief, it violates Commission Rule 4 CSR 240-2.130(7)(A), which requires that “[d]irect testimony shall include all testimony and exhibits asserting and explaining that party’s entire case-in-chief.” By submitting the request for the first time after the close of evidence, Hillcrest has prevented other parties from having a sufficient opportunity to conduct discovery or provide testimony on that matter. In addition, a tracker is a type of deferral accounting to defer costs which may be incurred in the future for “extraordinary items,” as defined in the Uniform System of Accounts.⁵⁴ The Commission concludes that Hillcrest has not met its burden of proof to demonstrate that projected property taxes are extraordinary. For all these reasons, the Commission concludes that Hillcrest’s request for a refundable surcharge or a tracker should be denied. Hillcrest’s 2016 property tax may be eligible for inclusion in its cost of service in a future rate case.

⁵⁴ “Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.” 18 C.F.R. § Pt. 101, General Instruction No. 7; See also, Report and Order, ER-2012-0174, *In the Matter of Kansas City Power & Light Company’s Request for Auth. to Implement A Gen. Rate Increase for Elec. Serv. & in the Matter of KCP&L Greater Missouri Operations Company’s Request for Auth. to Implement A Gen. Rate Increase for Elec. Serv.*, 2013 WL 299322 (Jan. 9, 2013); Report and Order, *In the Matter of the Application of S. Union Co. for the Issuance of an Accounting Auth. Order Relating to Its Natural Gas Operations & for A Contingent Waiver of the Notice Requirement of 4 CSR 240-4.020(2)*, GU-2011-0392, 2012 WL 363727 (Jan. 25, 2012).

C. Auditing and Income Tax Preparation Fees

- **What is the appropriate amount of Hillcrest's auditing and tax preparation (accounting) costs to include in Hillcrest's cost of service?**
- **What is the appropriate allocated level of auditing and tax preparation (accounting) costs for Central States Water Resources to include in Hillcrest's cost of service?**
- **Should accounting costs incurred and paid in 2016 by Hillcrest be included in Hillcrest's cost of service?**

Findings of Fact

1. Hillcrest issued requests for proposals to a variety of accountants and accounting firms in order to determine the least expensive qualified firm for auditing and tax preparation services for Hillcrest and its parent company. Hillcrest hired the firm with the lowest qualified costs. Hillcrest is requesting that its share of those bid amounts be included in its revenue requirement in this case.⁵⁵

2. The bid that Hillcrest received for auditing and tax preparation services is only an estimate of the expected cost of those services.⁵⁶ Those fees have not yet been paid.⁵⁷

3. Staff determined costs for auditing and tax preparation services by using actual costs of the parent company in 2015 and allocating 14% of that amount to Hillcrest.⁵⁸ Staff calculated that Hillcrest's share of the costs was approximately \$326, divided equally between water and sewer operations.⁵⁹

Conclusions of Law and Decision

Hillcrest requests that an estimate of its auditing and tax preparation fees to be paid in 2016 be included in the revenue requirement for this case. Those costs would occur

⁵⁵ Hillcrest Ex. 1, Cox Direct, p. 20-21.

⁵⁶ Staff Ex. 8, Harrison Direct, p. 9.

⁵⁷ Transcript, Vol. 2, p. 98.

⁵⁸ 14% refers to the corporate allocation percentage the Commission determines on page 33 below to be appropriate to apply to corporate costs for Hillcrest.

⁵⁹ Staff Ex. 8, Harrison Direct, p. 8-9.

outside of the test and update periods, which would violate the matching principle. Hillcrest has not met its burden of proof to demonstrate that the costs are both known and measurable, as the evidence shows they have not yet been paid and are only an estimate of those costs. The Commission concludes that any accounting costs incurred and paid in 2016 by Hillcrest should not be included in Hillcrest's cost of service for this case. The appropriate amount of auditing and tax preparation costs to include in Hillcrest's cost of service is the allocated amount of \$326, divided equally between water and sewer operations, as determined by Staff to have actually been paid in 2015.

D. Rate of Return

- **What is the appropriate capital structure for purposes of setting Hillcrest's allowed rate of return?**
- **What is the appropriate allowed return on equity to apply to the equity in the ratemaking capital structure?**
- **What is the appropriate allowed debt rate to apply to the debt in the ratemaking capital structure?**

Findings of Fact

1. An essential ingredient of the cost-of-service ratemaking formula is the rate of return, which is premised on the goal of allowing a utility the opportunity to recover the costs required to secure debt and equity financing. If the allowed rate of return is based on the costs to acquire capital, then it is synonymous with the utility's weighted average cost of capital, which is calculated by multiplying each component ratio of the appropriate capital structure by its cost and then summing the results. In order to arrive at a rate of return, the Commission must examine an appropriate ratemaking capital structure, Hillcrest's cost of debt, and Hillcrest's cost of common equity, or return on equity.⁶⁰

⁶⁰ Staff Ex. 4, Griffin Direct, Schedule SG-d2, p. 6-8.

2. As of September 2015, Hillcrest's actual capital structure was 19% equity and 81% debt.⁶¹

3. Staff recommended a hypothetical capital structure for Hillcrest consisting of 25% equity and 75% debt.⁶²

4. Staff calculated a return on equity ("ROE") for Hillcrest by taking the projected yield on long-term public utility bonds that would be assigned to a three-month average of debt with a B rating and adding a 4% risk premium to that amount. Taking into consideration the change in spread for corporate bond yields in the early part of 2016, Staff determined an appropriate ROE range of 12.88% to 14.13% for Hillcrest.⁶³

5. Hillcrest agrees that the ROE range determined by Staff is reasonable.⁶⁴ Public Counsel did not take a position on an appropriate ROE.

6. Mr. Cox testified credibly that prior to filing the first asset acquisition and financing case with the Commission, he met with over fifty specialized infrastructure institutional investors, private equity investors, investment bankers, and commercial banks on behalf of Hillcrest and its parent company in an attempt to create a program to build water and wastewater improvements to support distressed small water and sewer utilities in Missouri.⁶⁵ His attempts to secure debt and equity financing from traditional lending sources were unsuccessful.⁶⁶

7. In general, small distressed water and sewer systems are shut off from traditional capital markets because of potential liability associated with existing health and

⁶¹ Hillcrest Ex. 2, Cox Rebuttal, p. 21; Transcript, Vol. 2, p. 44.

⁶² Staff Ex. 4, Griffin Direct, p. 2.

⁶³ Staff Ex. 4, Griffin Direct, p. 7-9.

⁶⁴ Hillcrest Ex. 2, Cox Rebuttal, p. 21-22.

⁶⁵ Hillcrest Ex. 1, Cox Direct, p. 24; Transcript, Vol. 2, p. 51.

⁶⁶ Hillcrest Ex. 1, Cox Direct, p. 27.

environmental compliance failures, lack of professional management, and a complex regulatory system.⁶⁷

8. Mr. Cox testified credibly that the best deal he could obtain to finance the necessary improvements to the Hillcrest water and sewer systems was a financing agreement dated March 6, 2015, with Fresh Start Venture LLC (“Fresh Start”) at an interest rate of 14%.⁶⁸

9. Fresh Start was originally formed in 2014 by a group of 12 equity investors and created specifically to provide financing for this investment opportunity pursuant to a contractual agreement.⁶⁹ In 2014, Fresh Start obtained a 33% ownership interest in First Round and a financing agreement at an interest rate of 14%.⁷⁰

10. At some time prior to March 6, 2015, two new investors (“New Investors”) acquired 87% of the membership interest of First Round and all of Fresh Start.⁷¹

11. Staff recommended a cost of debt for Hillcrest within the range of 8.88% to 10.13%.⁷² Staff determined this proposed range by estimating a cost of debt based on junk bond debt yields from published indices that Staff believes would satisfy a hypothetical third-party debt investor’s market requirements.⁷³

12. Staff recommends a hypothetical cost of debt much lower than Hillcrest’s actual debt cost with Fresh Start because Staff does not know how the 14% debt cost was determined and suspects that the debt cost did not result from arms-length good faith

⁶⁷ Hillcrest Ex. 1, Cox Direct, p. 25-26.

⁶⁸ Transcript, Vol. 2, p. 114; Staff Ex. 4, Griffin Direct, p. 4; Staff Ex. 14.

⁶⁹ Staff Ex. 6, Griffin Rebuttal, p. 10.

⁷⁰ Staff Ex. 6, Griffin Rebuttal, p. 9.

⁷¹ Staff Ex. 6, Griffin Rebuttal, p. 9; Staff Ex. 13, p. 2; Staff Ex. 14, p. 28 and signature page.

⁷² Staff Ex. 4, Griffin Direct, p. 4.

⁷³ Staff Ex. 4, Griffin Direct, p. 4-7; Staff Ex. 6, Griffin Rebuttal, p. 5.

negotiations.⁷⁴ Staff is concerned about accepting 14% as a market-based cost of debt because it views the investment structure of Hillcrest and associated entities as complex, not transparent, and consisting of non-traditional affiliations between investors.⁷⁵ However, Staff has not alleged that Hillcrest's debt is imprudent.⁷⁶

13. The Fresh Start loan agreement specifically prohibits Hillcrest from issuing any additional debt, and the make whole premiums for any potential early retirement of the Fresh Start debt make it uneconomical to do so.⁷⁷

14. Public Counsel did not take a formal position on the appropriate cost of debt for Hillcrest.⁷⁸

Conclusions of Law and Decision

Capital structure

In determining the rate of return, the Commission must first consider Hillcrest's capital structure. The Commission concludes that in calculating Hillcrest's cost of capital and cost of debt, the appropriate capital structure to use is the actual capital structure of Hillcrest as of September 2015, which was 19% equity and 81% debt. In order to set a fair rate of return for Hillcrest, the Commission must determine the weighted cost of each component of the utility's capital structure.

⁷⁴ Staff Ex. 6, Griffin Rebuttal, p. 4.

⁷⁵ Staff Ex. 6, Griffin Rebuttal, p. 13.

⁷⁶ Transcript, Vol. 2, p. 178.

⁷⁷ Staff Ex. 6, Griffin Rebuttal, p. 15; Staff Ex. 14, p. 21, section 6.15.

⁷⁸ Public Counsel argues that Mr. Cox's testimony should not be believed regarding his efforts to secure financing. Public Counsel alleges that Mr. Cox improperly failed to disclose certain information to creditors in a previous personal bankruptcy proceeding. The Commission does not have the authority or expertise to make a legal conclusion about whether Mr. Cox violated bankruptcy laws, so declines to rely on that allegation in evaluating Mr. Cox's credibility.

Return on equity

One component at issue in this case is the estimated cost of common equity, or the return on equity. Estimating the cost of common equity capital is a difficult task, as academic commentators have recognized.⁷⁹ Determining a rate of return on equity is imprecise and involves balancing a utility's need to compensate investors against its need to keep prices low for consumers.⁸⁰ Missouri court decisions recognize that the Commission has flexibility in fixing the rate of return, subject to existing economic conditions.⁸¹ "The cases also recognize that the fixing of rates is a matter largely of prophecy and because of this commissions, in carrying out their functions, necessarily deal in what are called 'zones of reasonableness', the result of which is that they have some latitude in exercising this most difficult function."⁸² Moreover, the United States Supreme Court has instructed the judiciary not to interfere when the Commission's rate is within the zone of reasonableness.⁸³

The evidence shows that both Hillcrest and Staff agree that an ROE within the range of 12.88% to 14.13% would be a reasonable and accurate estimate of the current market cost of capital for Hillcrest. Based on the competent and substantial evidence in the record and on its balancing of the interests of the company's ratepayers and shareholders, the Commission concludes that 13.0% is a fair and reasonable return on equity for Hillcrest.

⁷⁹ See Phillips, *The Regulation of Public Utilities*, Public Utilities Reports, Inc., p. 394 (1993).

⁸⁰ *State ex rel. Public Counsel v. Public Service Commission*, 274 S.W.3d 569, 574 (Mo. Ct. App. 2009).

⁸¹ *State ex rel. Laclede Gas Co. v. Public Service Commission*, 535 S.W.2d 561, 570-571 (Mo. App. 1976).

⁸² *Id.* In fact, for a court to find that the present rate results in confiscation of the company's private property, that court would have to make a finding based on evidence that the present rate is outside of the zone of reasonableness, and that its effects would be such that the company would suffer financial disarray. *Id.*

⁸³ *State ex rel. Public Counsel v. Public Service Commission*, 274 S.W.3d 569, 574 (Mo. App. 2009). See, *In re Permian Basin Area Rate Cases*, 390 U.S. 747, 767, 88 S.Ct. 1344, 20 L.Ed.2d 312 (1968) ("courts are without authority to set aside any rate selected by the Commission [that] is within a 'zone of reasonableness'").

Cost of debt

The other component of Hillcrest's capital structure in dispute in this case is the appropriate cost of debt. Hillcrest requests that the Commission utilize the debt cost of 14%, which is the actual interest rate Hillcrest is obligated to pay to Fresh Start under their financing agreement. Staff urges the Commission to reject the actual cost of debt and instead impute a hypothetical cost of debt to Hillcrest's capital structure. Staff is concerned about accepting 14% as a market-based cost of debt because it views the investment structure of Hillcrest and its associated entities as complex, not transparent, and consisting of non-traditional affiliations between investors. Staff recommends a hypothetical cost of debt much lower than Hillcrest's actual debt cost with Fresh Start because Staff does not know how the 14% debt cost was determined and suspects that the debt cost did not result from arms-length good faith negotiations. In addition, Staff alleges that Hillcrest has failed to sufficiently demonstrate that it sought the least-cost option available to it when obtaining financing, which was a condition in the stipulation and agreement signed by Hillcrest and approved by the Commission in Hillcrest's asset acquisition proceeding in File No. WO-2014-0340.

The Commission has the legal authority to impose for ratemaking purposes a lower cost of debt than a utility's actual debt cost.⁸⁴ However, Staff's arguments are not persuasive that a hypothetical debt cost should be imposed on Hillcrest in this case. Staff expressed suspicions that the financing agreement with Fresh Start was not an arms-length transaction but did not present sufficient evidence to support that allegation. The interest rate under the financing agreement did not change when the New Investors took over

⁸⁴ *State ex rel. U.S. Water/Lexington v. Missouri Public Service Commission*, 795 S.W.2d 593, 597 (Mo. App. 1990).

Fresh Start and acquired the majority ownership interest in First Round, but there is not enough information in the record concerning the circumstances surrounding that transaction to reach the conclusion that the transaction was not in good faith. While the Commission expects Hillcrest to be responsive to Staff's appropriate requests for information, the company should not be penalized because it chooses to utilize a complex or non-traditional investment structure for its own business purposes. With regard to Hillcrest's compliance with the condition in the stipulation and agreement in File No. WO-2014-0340, Staff did not present evidence that Hillcrest failed to seek a lower-cost financing arrangement. On the contrary, Mr. Cox testified credibly that he made significant efforts, although unsuccessful, to obtain financing from more traditional commercial banks and financial institutions. The Commission concludes that Hillcrest has met its burden of proof to demonstrate that it sought the least-cost financing option available to it.

The Commission is very concerned about the effect dramatically increasing water and sewer rates will have on Hillcrest's customers. However, as stated in the *Bluefield* Supreme Court case, in setting just and reasonable rates the Commission must provide a return to the utility that is "reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties".⁸⁵ It is important that utility companies be able to attract sufficient capital to meet their financial obligations and provide adequate service to their customers. Hillcrest acquired these systems when they were in a complete state of disrepair, and the company had to find funds to immediately make necessary improvements to protect the health of its customers and to satisfy MDNR and the Missouri

⁸⁵ *Bluefield*, at 692-93.

Attorney General. The evidence shows that after diligent efforts to obtain financing from a variety of potential lenders, the only financing available to Hillcrest at that time was the transaction with Fresh Start. Penalizing Hillcrest now for that decision would be unfair and may discourage other companies from acquiring and improving troubled water and sewer utilities in the future, which would be contrary to good public policy. The Commission concludes that the appropriate allowed debt rate to apply to the debt in the ratemaking capital structure is the actual debt cost of 14%.

E. Rate Design

- **How many classes should Hillcrest's customers be divided into for the purposes of designing rates for both water and sewer?**
- **What are the proper allocation percentages to be used to allocate expenses between the customer charge and volumetric rate?**
- **Should a rate increase be implemented all at once or phased-in over time?**

Findings of Fact

1. Hillcrest provides water and sewer service to residential, apartment, and commercial customers.⁸⁶ Currently, Hillcrest's sewer customers are divided into two rate classes, one for residential and commercial with a flat monthly customer charge of \$14.63 and another for apartments with a flat monthly charge of \$11.70. Its water customers currently have only one rate class with a customer charge of \$3.58 per month and a commodity fee of \$1.84 per 1,000 gallons used.⁸⁷ These rates have been unchanged since 1989.⁸⁸

⁸⁶ OPC Ex. 5, Russo Direct, p. 3-4.

⁸⁷ Staff Ex. 2, Robertson Direct, p. 6-7.

⁸⁸ Hillcrest Ex. 1, Cox Direct, p. 13.

2. Public Counsel has proposed to change Hillcrest's rate design by creating three customer classifications for water and sewer service – residential, apartment, and commercial classes.⁸⁹ Hillcrest and Staff do not object to this proposal.⁹⁰

3. The customer charge is the amount charged to customers each month regardless of the amount of water used. The monthly minimum customer charge includes the costs that remain relatively constant throughout the course of the year, including operating expenses and capital costs not directly associated with the production of water.⁹¹

4. The volumetric rate is the rate charged to customers based on the amount of water used by the customer at specifically-set intervals. The volumetric rate includes the operating and capital costs related to the production of water.⁹²

5. Public Counsel's witness James Russo testified credibly regarding the proper allocation percentages to be used to allocate expenses between the customer charge and volumetric rate for water service. Under Public Counsel's rate design, all costs are assigned directly as a customer charge or a volumetric rate or, alternatively, a representative portion of the costs are allocated by a percentage to either the customer charge or the volumetric rate based on the particular characteristics of the cost.⁹³ Neither Hillcrest nor Staff provided evidence in the record of the hearing regarding how expenses should be assigned between the fixed customer charge and volumetric rate.

6. The water and sewer rates for Hillcrest customers will be raised dramatically under the proposals offered by the parties in this case.⁹⁴

⁸⁹ OPC Ex. 5, Russo Direct, p. 6.

⁹⁰ Hillcrest Ex. 2, Cox Rebuttal, p. 2; Staff Ex. 3, Robertson Rebuttal, p. 4.

⁹¹ OPC Ex. 5, Russo Direct, p. 5.

⁹² OPC Ex. 5, Russo Direct, p. 5.

⁹³ OPC Ex. 5, Russo Direct, p. 6-8 and included Schedules.

⁹⁴ OPC Ex. 5, Russo Direct, p. 12-14.

7. Both Staff and Public Counsel have proposed alternative rate design plans to phase-in increased utility rates over a period of time in an effort to mitigate the rate shock attributed to high rates.⁹⁵

8. The rate phase-in plans would not provide Hillcrest with sufficient cash to pay its operations costs and would cause Hillcrest to default on its debt service payments in the first year of operations under the new rate.⁹⁶

9. Under the rate phase-in proposals, the carrying costs associated with the booking of those deferred revenues means that, in the end, the customers would pay more out of their pockets than they would in the absence of a phase-in, all else being equal.⁹⁷

Conclusions of Law and Decision

Public Counsel has proposed to change Hillcrest's rate design by creating three customer classifications for water and sewer service – residential, apartment, and commercial classes, and Hillcrest and Staff do not object to this proposal. The Commission agrees that the rate design should be changed to include the three customer classifications as proposed.

Public Counsel's witness James Russo provided the only evidence regarding the proper allocation percentages to be used to allocate expenses between the customer charge and volumetric rate for water service. The Commission concludes that the proper allocation percentages and methodologies to be used for this purpose are those described in James Russo's direct testimony.

Staff and Public Counsel have both proposed alternate rate design plans that provide a rate phase-in to help mitigate rate shock for Hillcrest's ratepayers. "[T]he Public

⁹⁵ Staff Ex. 2, Robertson Direct, p. 8-9; OPC Ex. 5, Russo Direct, p. 14-15, Schedule 12.

⁹⁶ Hillcrest Ex. 2, Cox Rebuttal, p. 8-10.

⁹⁷ Hillcrest Ex. 2, Cox Rebuttal, p. 10-11.

Service Commission is a body of limited jurisdiction and has only such powers as are expressly conferred upon it by the statutes and powers reasonably incidental thereto.”⁹⁸ As the Commission is an administrative agency with limited jurisdiction, “the lawfulness of its actions depends directly on whether it has statutory power and authority to act.”⁹⁹ Accordingly, the Commission does not have the legal authority to order a phase-in of rates unless it has been given such authority by the General Assembly of this state. Section 393.155, RSMo, authorizes the Commission to phase-in rate increases over time under certain circumstances, but that authority is only provided with regard to electrical corporations. The statute does not give express authority for a rate phase-in for other types of utilities, such as water or sewer companies. The statutory authority for the Commission to order a rate phase-in for Hillcrest in this case is uncertain.

Moreover, the evidence shows that the rate phase-in plans would not provide Hillcrest with sufficient cash to pay its operations costs; would cause Hillcrest to default on its debt service payments in the first year of operations under the new rate, and would, in the end, cost the ratepayers more than not using a phase-in. The Commission finds that the two phase-in plans are not in the best interests of either Hillcrest or the ratepayers. The Commission concludes that any rate increase should be implemented all at once and not phased-in over time.

F. Corporate Allocation

- **What is the appropriate corporate allocation percentage to apply to corporate costs?**

⁹⁸ *State ex rel. Kansas City Power & Light Co. v. Buzard*, 168 S.W.2d 1044, 1046 (Mo. 1943); *State ex rel. City of West Plains v. Public Service Commission*, 310 S.W.2d 925, 928 (Mo. banc 1958).

⁹⁹ *State ex rel. Gulf Transp. Co. v. Public Service Commission*, 658 S.W.2d 448, 452 (Mo. App. 1983).

Findings of Fact

1. Hillcrest has requested that the Commission allocate 14% of the corporate costs of the parent company to it for ratemaking purposes. Hillcrest's proposed allocation of 14% represents the percentage of work time the company believes will be required of its employees in the future taking into consideration the completion of additional acquisitions of water and sewer companies.¹⁰⁰

2. In addition to Hillcrest, First Round owns and operates Raccoon Creek Utility Operating Company, Inc. and Indian Hills Utility Operating Company, Inc., with approximately 500 and 700 customers, respectively.¹⁰¹ Based on total existing customers for the three companies that First Round currently operates, Hillcrest customers represent over 28% of the current total customer base.¹⁰² First Round has contracts to acquire two additional water or sewer utilities.¹⁰³

3. Staff determined a 14% corporate cost allocation factor based on the number of customers in Hillcrest compared to the number of customers in utilities acquired by First Round and utilities that are planned to be acquired.¹⁰⁴

4. Public Counsel proposed a corporate cost allocation factor of 10.49% based on a review of Mr. Cox's time sheets from March 13, 2015 through October 31, 2015.¹⁰⁵ Public Counsel did not use the time sheets of Mr. Chalfant and Ms. Eaves in calculating an allocation factor because those two employees did not begin recording their time until after October 31, 2015.¹⁰⁶ If Public Counsel had taken the time sheets for operational duties of

¹⁰⁰ Hillcrest Ex. 1, Cox Direct, p. 15; Hillcrest Ex. 2, Cox Rebuttal, p. 13.

¹⁰¹ OPC Ex. 1, Roth Direct, p. 2-3.

¹⁰² Transcript, Vol. 2, p. 198.

¹⁰³ Transcript, Vol. 2, p. 112-113.

¹⁰⁴ Staff Ex. 8, Harrison Direct, p. 7.

¹⁰⁵ OPC Ex. 3, Roth Rebuttal, p. 2; OPC Ex. 4, Roth Rebuttal Schedule KNR-1; Hillcrest Ex. 3.

¹⁰⁶ OPC Ex. 3, Roth Rebuttal, p. 2.

those two employees recorded after October 31, 2015 into consideration, the Hillcrest allocation percentage would be closer to 21%.¹⁰⁷

5. When Public Counsel calculated its allocation factor by using Mr. Cox's time sheets, it only used those hours found in the "HC," or Hillcrest, column to determine work associated with Hillcrest and considered all other hours as "non-regulated."¹⁰⁸

6. Mr. Cox testified credibly that on his time sheets, regulated work related to Hillcrest is also included in columns besides the "HC" column used by Public Counsel to calculate an allocation factor.¹⁰⁹

Conclusions of Law and Decision

Of the three methods proposed for calculating the corporate cost allocation factor, the Commission finds that Staff's method is the most reliable and reasonable. Hillcrest did not present sufficient evidence of how it determined its allocation factor based on employee time sheets. Public Counsel's proposed allocation factor is unreasonably low because it completely disregarded the work time of Mr. Chalfant and Ms. Eaves and only included a portion of Mr. Cox's work time related to Hillcrest.

Public Counsel's criticism of Staff's method as being based on estimated, future costs, and not known and measurable, is not applicable in this situation. The allocation factor is not an expense that occurs outside of the test year but rather a method of allocating corporate costs that occur within the test year. The Commission concludes that the appropriate corporate allocation percentage to apply to corporate costs is 14%.

¹⁰⁷ Hillcrest Ex. 2, Cox Rebuttal, p. 14.

¹⁰⁸ OPC Ex. 4, Roth Rebuttal Schedule KNR-1; Hillcrest Ex. 3.

¹⁰⁹ Transcript, Vol. 2, p. 132-136.

Decision Summary

In making this decision as described above, the Commission has considered the positions and arguments of all of the parties. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence but indicates rather that the material was not dispositive of this decision.

Hillcrest provides safe and adequate service, and the Commission concludes, based upon its independent review of the whole record, that the rates approved as a result of this order support the provision of safe and adequate service. The revenue increase approved by the Commission is no more than what is sufficient to keep Hillcrest's utility plants in proper repair for effective public service and provide to Hillcrest's investors an opportunity to earn a reasonable return upon funds invested.

THE COMMISSION ORDERS THAT:

1. The Commission adopts the provisions, other than those issues disputed at the evidentiary hearing, of the *Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* and *Company/Staff Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* filed on March 25, 2016, including attachments. The signatories are ordered to comply with the terms of these partial disposition agreements, which are attached hereto as Attachment A and incorporated herein by reference as if fully set forth.

2. Hillcrest Utility Operating Company, Inc. is authorized to file tariff sheets sufficient to recover revenues approved in compliance with this order. Hillcrest Utility Operating Company, Inc. shall file its compliance tariff sheets no later than July 20, 2016.

3. Hillcrest Utility Operating Company, Inc. shall file the information required by Section 393.275.1, RSMo 2000, and Commission Rule 4 CSR 240-10.060 no later than July 20, 2016.

4. The Staff of the Missouri Public Service Commission shall file its recommendation concerning approval of Hillcrest Utility Operating Company, Inc.'s compliance tariff sheets no later than July 27, 2016.

5. Any other party wishing to respond or comment regarding Hillcrest Utility Operating Company, Inc.'s compliance tariff sheets shall file the response or comment no later than July 27, 2016.

6. This Report and Order shall become effective on August 11, 2016.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Kenney, Rupp,
and Coleman, CC., concur,
Stoll, C., dissents, with separate
dissenting opinion attached;
and certify compliance with the
provisions of Section 536.080, RSMo.

Dated at Jefferson City, Missouri,
on this 12th day of July, 2016.

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



In the Matter of the Rate Increase Request of)
Indian Hills Utility Operating Company, Inc.)

File No. WR-2017-0259

REPORT AND ORDER

Issue Date: February 7, 2018

Effective Date: February 17, 2018

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Rate Increase Request of)
Indian Hills Utility Operating Company, Inc.) File No. WR-2017-0259

REPORT AND ORDER

Issue Date February 7, 2018

Effective Date February 17, 2018

The Commission is ordering Indian Hills Utility Operating Company, Inc. (“Indian Hills”) to file new tariffs¹ in compliance with this report and order (“compliance tariffs”) providing a rate base of \$663,596 and an overall rate of return at 9.375 percent as follows:

| <i>Capital Structure</i> | <i>Cost of Debt</i> | <i>Return on Equity</i> |
|--------------------------|---------------------|-------------------------|
| 50% debt / 50% equity | 6.75% | 12% |

That compares with Indian Hills’ request for revenue above current collections approximately as follows²

| <i>Increase</i> | <i>Amount</i> |
|------------------|---------------|
| <i>Requested</i> | \$750,280 |
| <i>Ordered</i> | \$663,596 |

The Commission separately states its findings of fact,³ reports its conclusions of law,⁴ and orders relief as follows.

¹ Tariff is the shorthand term used in Commission practice for the “schedules” described in Section 393.130.1, “showing all rates and charges made, established or enforced or to be charged or enforced, all forms of contract or agreement and all rules and regulations relating to rates, charges or service used or to be used, and all general privileges and facilities granted or allowed by such gas corporation, electrical corporation, water corporation, or sewer corporation [.]” Tariff may refer to an entire set, a subset, or a single page, of such schedules.

² These numbers do not constitute a ruling, only an estimate of the overall impact of this report and order based on the preliminary figures filed by the Commission’s staff in the Commission’s Electronic Filing Information System (“EFIS”) No. 179 (January 16, 2018) *Staff’s Rate Design Scenarios*. References to EFIS refer to this file No. WR-2017-0259 except where stated otherwise.

³ Where required by Section 536.090.2.

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⁴ As required by Section 386.420.2.

I. Procedure

Before setting forth the substance of its decision, the Commission will explain the procedure by which this decision comes about.

A. Jurisdiction and Authority

This case began with the filing of a letter, requesting a rate increase, from Indian Hills.⁵ Indian Hills is within the Commission's jurisdiction because Indian Hills sells water to customers in Crawford County, Missouri,⁶ and is a public utility⁷ and a water corporation.⁸⁹ The Commission has authority to determine the content of Indian Hills' tariffs,¹⁰ and the parties present competing positions on multiple issues seeking to persuade the Commission to order compliance tariffs in line with their positions.¹¹

B. Law and Policy

The Commission must order tariffs that provide safe and adequate service¹² at rates that are just and reasonable.¹³ The "just and reasonable" standard codifies constitutional provisions that protect the property interests of Indian Hills.¹⁴ Indian Hills' rates must also be as "just and reasonable" to consumers as they are to the utility.¹⁵

⁵ EFIS No. 1 (April 4, 2017).

⁶ EFIS No. 140 (December 7, 2017) *Exhibit No. 212 - Direct Testimony of Geoff Marke* page 3 line 21.

⁷ Section 386.020(43).

⁸ Section 386.020(59).

⁹ Section 393.140(11).

¹⁰ Section 393.140(5) and (11).

¹¹ Section 393.140(11).

¹² Section 393.130.1.

¹³ Section 393.130.1; and Section 393.150.2.

¹⁴ ***Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of the State of West Virginia***, 262 U.S. 679, 690 (1923).

¹⁵ ***Valley Sewage Co. v. Public Service Comm'n*** 515 S.W.2d 845, 851 (Mo. App., K.C.D. 1974).

The General Assembly has instructed the Commission to construe the statutes “liberally . . . with a view to the public welfare, efficient facilities and substantial justice between patrons and public utilities.”¹⁶

The balance of investor interests and consumer interests does not appear in any single statute or judicially-made formula,¹⁷ but in the pragmatic adjustments that are the Commission’s means to establish just and reasonable rates that ensure safe and adequate service.¹⁸ The Commission must decide this action on consideration of “all facts which in its judgment have any bearing”¹⁹ (sometimes called “all relevant factors”).²⁰

All parties’ expert witnesses on rates employed a collection of financial, accounting, and economic analyses known as cost-of-service rate-making, which the Commission will use in its determinations. Cost-of-service rate-making determines Indian Hills’ rates by calculating Indian Hills’ revenue requirement.²¹ The revenue requirement is how much it costs Indian Hills, in operating expenses (“expenses”), and for a return on its capital assets (“rate base”), to provide safe and adequate service, and includes a return sufficient to service debt and equity and continue attracting capital.²² The parties’ evidence on cost of service comes mostly from Staff’s proposed test year of the 12 months between March 2016 and March of 2017, which is probative of Indian

¹⁶ Section 386.610.

¹⁷ **Fed. Power Comm’n v. Hope Nat. Gas Co.**, 320 U.S. 591, 586 (1944).

¹⁸ **Bluefield**, 262 U.S. at 692; **State ex rel. Associated Natural Gas Co. v. Public. Serv. Comm’n**, 706 S.W.2d 870, 873 (Mo. App., W.D. 1985) (citing **Hope Natural Gas Co.**, 320 U.S. at 602 - 03).

¹⁹ Section 393.270.4.

²⁰ **State ex rel. Util. Consumers’ Council of Missouri, Inc. v. Pub. Serv. Comm’n**, 585 S.W.2d 41, 56 (Mo. banc 1979).

²¹ **Hope Natural Gas Co.**, 320 U.S. at 603 (1944).

²² **Hope Natural Gas Co.**, 320 U.S. at 603 (1944).

Hills' cost of service.²³ The Commission did not set a test year, update period, or true-up dates for this case.

C. Procedural History

The above principles of law and policy apply to the thousands of line items that constitute a public utility's budget, and other operational considerations that must be the subject of tariffs. Those matters develop into issues for the Commission's determination as prescribed by the Commission's regulations.²⁴ The Commission's regulations provide that Indian Hills' letter initiated a small utility rate case.²⁵ A small utility rate case may proceed informally as a non-contested case,²⁶ or formally as a contested case,²⁷ or as both a non-contested case and a contested case in succession as it did here.

Indian Hills and the Commission's staff ("Staff")²⁸ filed a partial disposition agreement setting forth provisions for a partial settlement between Indian Hills and Staff.²⁹ The Office of the Public Counsel ("OPC")³⁰ filed a response stating that OPC

²³ EFIS No. 100 (December 7, 2017) *Exhibit No. 7 - Direct Testimony of Todd Thomas* page 6 line 18.

²⁴ Section 386.410.1.

²⁵ 4 CSR 240-3.050.

²⁶ 4 CSR 240-3.050(14) and (15). Section 393.150.1 provides that the Commission may suspend tariffs pending a pre-decision hearing, which indicates a contested case, but no tariffs are pending. Otherwise, no evidentiary hearing, and therefore, no contested case, is required unless a party asks for an evidentiary hearing. ***State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm'n***, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

²⁷ 4 CSR 240-3.050(21).

²⁸ Staff is a party to every action before the Commission. 4 CSR 240-2.010(10).

²⁹ EFIS No. 14 (September 1, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing*.

³⁰ OPC is a party to every action before the Commission. 4 CSR 240-2.010(10).

objected to the partial disposition agreement.³¹ Both the partial disposition agreement and the response included requests for an evidentiary hearing.³²

The Commission issued a notice of contested case.³³ Pursuant to the Commission's scheduling order³⁴ as suggested by the parties,³⁵ the parties prepared a joint list of issues, which Staff filed on behalf of all parties.³⁶ The parties separately filed position statements³⁷ conforming to the list of issues.

Indian Hills and Staff then filed a *Non-Unanimous Stipulation and Agreement*.³⁸ The *Non-Unanimous Stipulation and Agreement* did three things. First, the *Non-Unanimous Stipulation and Agreement* incorporated the partial disposition agreement.³⁹ Second, the *Non-Unanimous Stipulation and Agreement* resolved all remaining disputes between Indian Hills and Staff. The *Non-Unanimous Stipulation and Agreement*

³¹ EFIS No. 18 (September 11, 2017) *Response of the Office of the Public Counsel to Partial Disposition Agreement and Request for Evidentiary Hearing*.

³² Regulation 4 CSR 240-3.050(20) required OPC's response to "include a specified list of issues that [OPC] believes should be the subject of the hearing."

³³ EFIS No. 15 (September 5, 2017) *Notice of Contested Case and Order Directing Filings*.

³⁴ EFIS No. 28 (September 27, 2017) *Amended Notice of Hearing, and Order Establishing Procedural Schedule and Governing Procedure*, page 1, last line.

³⁵ EFIS No. 20 (September 19, 2017) *Motion for Joint Proposed Procedural Schedule*, page 3, tenth line.

³⁶ EFIS No. 81 (November 21, 2017) *List of Issues, Order of Witnesses, Order of Cross - Examination and Order of Opening*. The issues list appears at the later end of the process because the parties cannot know any sooner which of the thousands of line items in a public utility's budget, and other operational considerations that must be the subject of tariffs, will be at issue until after extensive discovery and intensive discussion.

³⁷ EFIS No. 82 (November 21, 2017) *Indian Hills Statement of Position*. EFIS No. 83 (November 21, 2017) *OPC Position Statement*. EFIS No. 84 (November 21, 2017) *[Staff's] Statement of Positions*. A position statement is a "writing filed whereby affirmative relief is sought" so each such filing sets forth "what relief is sought or proposed and the reason for granting it" as Section 536.063(2) requires in a contested case.

³⁸ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement*.

³⁹ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 394 line 1, through line 3.

expressly incorporates⁴⁰ the amounts specified in the *Non-Unanimous Stipulation and Agreement's* Attachment B. That Attachment B sets forth the same amounts for each issue, with two exceptions discussed below, as in the prepared testimony of Staff witnesses entered as exhibits at the evidentiary hearing.⁴¹ In agreeing to those amounts, Indian Hills has agreed with Staff's position statement, except as otherwise specified in the *Non-Unanimous Stipulation and Agreement*.

Third, the *Non-Unanimous Stipulation and Agreement* set forth relief not previously raised in the position statements of either Indian Hills or Staff ("new positions"), but now sought by both Indian Hills and Staff, on matters in the issues list. The Commission will address new positions under the issues to which they relate.

OPC filed an objection⁴² to the *Non-Unanimous Stipulation and Agreement*, so the *Non-Unanimous Stipulation and Agreement* did not resolve any issues, but constitutes the joint amended position statement of Indian Hills and Staff⁴³ ("Indian Hills and Staff"). The entire issues list remains in dispute, as framed between the Indian Hills and Staff and the OPC position statement.⁴⁴

The Commission convened a public hearing in Indian Hills' service territory⁴⁵ and an evidentiary hearing at the Commission's offices in Jefferson City.⁴⁶ The parties filed

⁴⁰ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement*, page 5 paragraph 9.

⁴¹ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 383 line 16, through page 384 line 3; page 393 line 17, through line 25.

⁴² EFIS No. 88 (November 22, 2017) *Objection and Response to Non-Unanimous Stipulation and Agreement*.

⁴³ 4 CSR 240-2.115(2)(D).

⁴⁴ 4 CSR 240-2.115(2)(D), second sentence.

⁴⁵ EFIS No. 59 (November 1, 2017) *Transcript Volume 2 (Local Public Hearing - 10-18-17)*.

⁴⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)*. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)*. EFIS No. 92 (December 5,

testimony from 17 expert witnesses, written argument⁴⁷ in the form of reconciliations,⁴⁸ rate design scenarios⁴⁹ and briefs.⁵⁰

II. General Conclusions of Law

On matters not informally resolved, including positions raised for the first time in the *Non-Unanimous Stipulation and Agreement*, the Commission must separately state its findings of fact.⁵¹ Findings of fact do not include summaries of the evidence, summaries of parties' arguments, ultimate facts, and conclusions of law. Findings of fact resolve disputes of material fact—the facts that guide the Commission's conclusions of law.⁵²

As to any one issue, more than one party's position may support safe and adequate service at just and reasonable rates. When that happens, the Commission must determine which position, or parts of positions, best support safe and adequate service at just and reasonable rates.

The Commission has made each determination on consideration of all position statements, authorities applicable to those position statements, and evidence relevant under those authorities. Where the evidence conflicts, the Commission determines which evidence is the most credible. Credibility determinations are implicit in the

2017) *Transcript - Volume 5 In-Camera (Evidentiary Hearing 11-28-17)*. EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11 - 30 - 17)*.

⁴⁷ Section 536.080.

⁴⁸ EFIS No. 77 (November 17, 2017) *Reconciliation*.

⁴⁹ EFIS No. 179 (January 16, 2017) *Rate Design Scenarios*.

⁵⁰ EFIS No. 175 (January 4, 2018) *[Staff's] Post - Hearing Brief and [Staff's Proposed] Findings of Fact and Discussion*. EFIS No. 176 (January 4, 2018) *Brief of the Office of Public Counsel*. EFIS No. 177 (January 4, 2018) *Indian Hills' Brief*.

⁵¹ Section 536.090.

⁵² *State ex rel. Noranda Aluminum, Inc. v. Pub. Serv. Comm'n*, 24 S.W.3d 243, 246 (Mo. App., W.D. 2000).

Commission's findings of fact,⁵³ and no law requires the Commission to expound upon which portions of the record the Commission accepted or rejected.⁵⁴ When any evidence or argument is not discussed in this report and order, that does not indicate that the Commission has failed to consider such evidence or argument, it indicates that the evidence or argument is not dispositive of any issue.

The quantum of proof necessary to carry a burden of proof in an administrative action is a preponderance.⁵⁵ Preponderance means greater weight in persuasive value.⁵⁶ That means that a claimant must show that the claimant's evidence, and reasonable inferences from the evidence,⁵⁷ weighs more in favor⁵⁸ of the claimant's position than against claimant's position.⁵⁹ As to whether an increased rate is just and reasonable, Indian Hills has the burden of proof.⁶⁰

As to all issues, the following findings of fact apply generally.

III. General Findings of Fact

1. Indian Hills sells about 25,740,000 gallons of water per year to 715 customers⁶¹ in Crawford County, Missouri. Of Indian Hills' customers, half are full-time residents and half are part-time residents.⁶² Part-time residents are those who have a

⁵³ **Stone v. Missouri Dept. of Health & Senior Services**, 350 S.W.3d 14, 26 (Mo. banc 2011).

⁵⁴ **Stith v. Lakin**, 129 S.W.3d 912, 919 (Mo. App., S.D. 2004).

⁵⁵ **State Board of Nursing v. Berry**, 32 S.W.3d 638, 642 (Mo. App., W.D. 2000).

⁵⁶ **State v. Davis**, 422 S.W.3d 458, 464 (Mo. App., E.D. 2014).

⁵⁷ **Farnham v. Boone**, 431 S.W.2d 154 (Mo. 1968).

⁵⁸ **State Board of Nursing v. Berry**, 32 S.W.3d 638, 642 (Mo. App., W.D. 2000).

⁵⁹ **Hager v. Director of Revenue**, 284 S.W.3d 192, 197 (Mo. App., S.D. 2009).

⁶⁰ Section 393.150.

⁶¹ EFIS No. 116 (December 7, 2017) *Direct Testimony of Ashley Sarver* page 2, line 14, through line 17.

⁶² EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 9 line 19, through line 23.

primary residence outside Indian Hills' service territory and for whom a residence in Indian Hills' service territory is a second home.⁶³

Corporate Structure⁶⁴

2. Central States Water Resources, Inc. manages First Round CSWR, LLC.⁶⁵ First Round CSWR, LLC owns holding companies that own Indian Hills and other public utilities: Hillcrest Utility Operating Company, Inc., ("Hillcrest") Raccoon Creek Utility Operating Company, Inc., and Elm Hills Utility Operating Company.⁶⁶

3. Since March of 2015, First Round CSWR, LLC and its subsidiaries have:
- a. Purchased five wastewater treatment plants with associated sewer pumping stations, gravity force mains, and gravity conveyance lines.⁶⁷
 - b. Designed, permitted, and completed construction, with Missouri Department of Natural Resources ("MDNR") approval, of approximately \$2.4 million of sanitary sewer systems since March of 2015.⁶⁸
 - c. Designed, permitted, and completed construction of major wastewater improvements for two wastewater systems that Elm Hills Utility Operating Company, Inc. acquired.⁶⁹ Those systems had been in receivership for approximately ten years and had Missouri Attorney

⁶³ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 9 line 19, through line 23.

⁶⁴ All limited liability companies ("LLC") in these findings of fact are Missouri LLCs, except Fresh Start Ventures, LLC, which is a Nevada LLC. All corporations listed in these findings of fact are Missouri corporations.

⁶⁵ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 9 line 17, through line 18.

⁶⁶ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 3 line 9, through line 13.

⁶⁷ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 4 line 4, through line 6.

⁶⁸ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 4 line 6, through page 5 line 2.

⁶⁹ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 5 line 2, through line 11.

General enforcement actions pending.⁷⁰ For example, Elm Hills Utility Operating Company, Inc. recently obtained Commission approval to acquire a water company and sewer company that had been in Missouri state-appointed receivership for about ten years and had AG enforcement actions pending.⁷¹

- d. Designed, permitted, and completed construction with MDNR approval of approximately \$2.6 million of drinking water systems.⁷²

4. First Round CSWR, LLC also owns Confluence Rivers Utility Operating Company, Inc., which has filed an application with the Commission to acquire several water companies and several sewer companies, alleging various states of distress among those companies.⁷³

⁷⁰ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 5 line 2, through line 11; page 7 line 5, through line 11.

⁷¹ File No. SM-2017-0150, ***In the Matter of the Application of Elm Hills Utility Operating Company, Inc., and Missouri Utilities Company for Elm Hills to Acquire Certain Water and Sewer Assets of Missouri Utilities Company, for a Certificate of Convenience and Necessity, and, in Connection Therewith, to Issue Indebtedness and Encumber Assets.***

⁷² EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox, Inc.* page 5 line 12, through page 6 line 5.

⁷³ File No. WM-2018-0116 EFIS No. 1 (November 2, 2017) *Application and Motion for Waiver, In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. to Acquire Certain Water and Sewer Assets, For a Certificate of Convenience and Necessity, and, in Connection Therewith, To Issue Indebtedness and Encumber Assets.* File No. SM-2018-0117, EFIS No. 1 (November 2, 2017) *Application and Motion for Waiver, In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. to Acquire Certain Water and Sewer Assets, For a Certificate of Convenience and Necessity, and, in Connection Therewith, To Issue Indebtedness and Encumber Assets.*

The Indian Hills System

5. The physical plant through which Indian Hills delivers water to its customers (“the system”) is approximately 50 years old.⁷⁴ From the system’s construction through 2017, no major capital improvements occurred.⁷⁵ By report dated August 25, 2014, MDNR cited 27 deficiencies in compliance with drinking water standards.⁷⁶

6. The Commission authorized Indian Hills to buy the system,⁷⁷ operate it,⁷⁸ and encumber it for financing improvements bringing the system into regulatory compliance (“the acquisition case”).⁷⁹ On March 31, 2016,⁸⁰ Indian Hills bought the system from I.H. Utilities, Inc.

⁷⁴ EFIS No. 94 *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 11 line 16, through line 17.

⁷⁵ EFIS No. 94 *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 11 line 17, through line 18.

⁷⁶ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* Schedule JC-01.

⁷⁷ File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity Commission* page 6 paragraph 2, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

⁷⁸ File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity Commission* page 6 paragraph 1, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

⁷⁹ File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity Commission* page 8 paragraph 17, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

⁸⁰ EFIS No. 94 *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 1 line 12, through line 13.

7. In the acquisition case, the Commission ordered that the financing allowed in that case be used solely for buying the system and improving plant. But Indian Hills commingled those moneys with other Glarner entities.⁸¹

8. When Indian Hills acquired the system, the system was not in compliance with MDNR standards related to the following.⁸²

- a. Only one well in service. For drinking water systems serving over 500 individuals, MDNR's design guides require at least two wells.⁸³
- b. Reliability. There was no backup power or backup pumping system.⁸⁴
- c. Water loss. The system was losing about 75 percent of all the water it pumped to line leakage.⁸⁵
- d. Insufficient pressure. MDNR requires a minimum water pressure of 21 psi, with a guideline of 35 psi for residential drinking water systems. At the time of acquisition, the system had maximum psi of 20 at the back of

⁸¹ EFIS No. 204 *Surrebuttal Testimony of Keri Roth (Public)* page 2 line 12, through line 18. File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity* page 9 paragraph 21, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

⁸² EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 11, line 18, through line 21.

⁸³ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 12 line 1, through line 9.

⁸⁴ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 12 line 11, through 17.

⁸⁵ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 12 line 19, through page 13 line 10.

the lake community and, during peak usage, no water pressure at all in that area.⁸⁶

- e. No redundant booster pump. If the only pump failed, the entire system would fail.⁸⁷
- f. Insufficient storage. The system had only 20,000 gallons of storage for a system that averaged around 180,000 per day during the summer months.⁸⁸

9. To rectify those issues, bring the system into MDNR compliance, and to provide safe and adequate service, Indian Hills has invested approximately \$1.84 million in the system.⁸⁹ By report dated November 4, 2016, MDNR found that the system was in compliance with drinking water standards.⁹⁰ Indian Hills completed remaining improvements by February 2017.⁹¹

10. The improvements include the following:

- a. An additional well.⁹²

⁸⁶ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 1 line 1, through line 12.

⁸⁷ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 14 line 14, through line 17.

⁸⁸ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 14 line 19, through page 15 line 7.

⁸⁹ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 26 line 4, through line 11.

⁹⁰ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* Schedule JC-02.

⁹¹ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 21 line 11.

⁹² EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 20 line 1, through line 2.

- b. Two new well houses with improved and standby disinfection and chlorination systems.⁹³
- c. A backup generator for system reliability.⁹⁴
- d. Two new storage tanks.⁹⁵
- e. Booster pumps to maintain minimum system pressure.⁹⁶

11. A substantial rebuild is still underway to provide safe and adequate water service to Indian Hills' customers and comply with federal and state regulations related to those services.⁹⁷

Operations

12. Smaller water utilities, especially distressed small water utilities, are particularly difficult to permit, build, and operate; they require more expertise and executive level skills than larger utilities because every employee needs to have expertise in multiple areas.⁹⁸

⁹³ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 18 line 8, through line 21; page 20 line 12, through page 21 line 3.

EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 17.),

⁹⁴ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 19 line 19, through line 23.

EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 16.

⁹⁵ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 19 line 11, through line 12; page 20 line 7, through line 9.

⁹⁶ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 20 line 22, through page 21 line 1.

⁹⁷ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 22, line 6, through line 11.

⁹⁸ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 7 line 5, through line 12. EFIS No. 100 (December 7, 2017) *Exhibit No. 7 - Direct Testimony of Todd Thomas* page 8 line 19, through page 9 line 19.

13. Since October 27, 2009, Indian Hills' current rates have consisted of a base charge of \$10.81 that includes 4,000 gallons and a volumetric rate of \$1.89 for every 1,000 gallons over 4,000 gallons. Indian Hills collects about \$97,291 annually in revenue.⁹⁹ The costs incorporated into the *Non-Unanimous Stipulation and Agreement* come from Staff's audit of Indian Hills' costs from March 2016 through March 2017 ("Staff's test year").¹⁰⁰

IV. Disputed Issues

As noted above the parties submitted a List of Issues that will be addressed in order below, along with specific findings of facts that relate more specifically to each issue.

A. Expenses

The parties dispute whether and to what extent the Commission should include the following costs and expenses in Indian Hills' rate base.

i. Payroll.

The Commission is ordering that Indian Hills' compliance tariffs shall include amounts in rates and charges for the salaries of Josiah Cox and Todd Thomas as sought by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

- a. *What are the appropriate job titles to be used in [Missouri Economic Research and Information Center ("MERIC")] to compare and determine labor expense associated with Mr. Josiah Cox and Mr. Todd Thomas?*
 - *[T]he appropriate job title for MERIC purposes for Mr. Josiah Cox is Chief Executive and*

⁹⁹ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 21 line 22 , through page 23 line 2.

¹⁰⁰ EFIS No. 100 (December 7, 2017) *Exhibit No. 7 - Direct Testimony of Todd Thomas* page 6 line 18.

- *[T]he appropriate job title for MERIC purposes [is] Construction Manager for Mr. Todd Thomas.*
- b. *What are the appropriate MERIC salary or wages?*
- *[Josiah Cox: 2013 amount.]*
 - *[Todd Thomas: 2015 amount.]*
- c. *Should the Employment Cost Index inflation rate be applied in setting such amounts?*
- *No.*
- d. *What allocation factor (actual or assumed) should be used to determine payroll?*
- *An assumed allocation factor to determine payroll [of 16.61 percent].*
- e. *What level of experience should be used to set the labor expense associated with each employee?*
- *[T]he mean level of experience in the Missouri Economic Research and Information Center (MERIC) to annualize CSWR payroll.*

Findings of Fact

1. The standard for measuring employee salaries is the data of the Missouri Economic Research and Information Center (“MERIC”), an office within the Missouri Department of Economic Development.¹⁰¹ MERIC classifies employees under job titles according to employee duties.¹⁰² MERIC also breaks down salaries for job titles by geographical region.¹⁰³ The relevant geographic region for Indian Hills’ employees is St. Louis, Missouri.¹⁰⁴

2. MERIC further breaks salary amounts down for any job title by experience level into entry, mean, and experienced; entry is the lowest, experienced is the highest

¹⁰¹ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 3 line 9, through line 14.

¹⁰² EFIS No. 8 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias* page 10 line 16, through line 18.

¹⁰³ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 2 line 18, through line 20.

¹⁰⁴ EFIS No. 122 (December 7, 2017) *Exhibit No. 110 - Rebuttal Testimony of Ashley Sarver* page 10 line 7, through line 9.

and the intermediate is the mean.¹⁰⁵ Mean level describes employees of at least three and one half years' experience. All the employees of First Round CSWR, LLC have the mean level of experience in the business of running a water company.¹⁰⁶

3. Indian Hills has no employees of its own and acts through six employees of First Round CSWR, LLC,¹⁰⁷ including Mr. Josiah Cox and Mr. Todd Thomas.

4. For First Round CSWR, LLC, and its subsidiaries including Indian Hills, Josiah Cox and Todd Thomas both act as contact for financial regulatory compliance with Staff and OPC, and as contact for environmental regulatory compliance with the MDNR and the Missouri Attorney General.¹⁰⁸

5. The MERIC job title of General and Operations Manager signifies formulating policies, and diverse daily operations too general in nature to be classified in any one functional area.¹⁰⁹

6. In addition to the responsibilities of General and Operations Manager, Josiah Cox's responsibilities to First Round CSWR, LLC and its subsidiaries, including Indian Hills, include acting as leader and director of overall company strategy and direction, and director of all financing activities including debt and equity increases.¹¹⁰

¹⁰⁵ EFIS No. 116 (December 7, 2017) *Exhibit No. 104, Direct Testimony of Ashley Sarver* page 4 line 1, through line 7.

¹⁰⁶ EFIS No. 130 (December 7, 2017) *Exhibit No. 202 - Rebuttal Testimony of Keri Roth*, page 8 line 13, through line 15.

¹⁰⁷ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 2 line 18, through line 20.

¹⁰⁸ EFIS No. 129 (December 7, 2017) *Exhibit. 201 - Direct Testimony of Keri Roth*, page 4 line 6, through line 26.

¹⁰⁹ EFIS No. 102 (December 7, 2017) *Exhibit No. 9 - Surrebuttal Testimony of Todd Thomas* page 4 line 10 through line 14.

¹¹⁰ EFIS No. 129 (December 7, 2017) *Exhibit. 201 - Direct Testimony of Keri Roth*, page 4 line 6, through line 26.

In addition, Josiah Cox has done significant work in utility acquisition, including evaluating existing utility assets for acquisition, determining existing net book value of acquisition targets, and selecting engineering design and technology. Josiah Cox has also been responsible for ongoing operations and management, including monitoring all plant remote operations and emergency responses, new utility rate design and pro-forma financial models, and overall company-wide management across multiple states.¹¹¹ The MERIC job title matching Josiah Cox's responsibilities is Chief Executive.¹¹²

7. Todd Thomas' responsibilities to First Round CSWR, LLC and its subsidiaries including Indian Hills, are: utility acquisitions, construction and engineering management, third party contractor acquisition and contract negotiation and management.¹¹³ The MERIC job title best matching Todd Thomas' responsibilities is Construction Manager.¹¹⁴

8. The most recent MERIC salary data is for 2016. To keep MERIC salary data accurate between rate cases, salary data within one year of a test year is sufficiently current that no inflationary factor is necessary.¹¹⁵ However, significant fluctuations in

¹¹¹ EFIS No. 97 (December 7, 2017) *Exhibit No. 4 - Direct Testimony of Phil Macias* page 13 line 16, through page 14 line 2.

¹¹² EFIS No. 101 (December 7, 2017) *Exhibit 101 - Rebuttal Testimony of Todd Thomas on Behalf of Indian Hills Utility Operations Company* page 7 line 20 through line 21.

¹¹³ EFIS No. 129 (December 7, 2017) *Exhibit 201 - Direct Testimony of Keri Roth*, page 4 line 6, through line 26.

¹¹⁴ EFIS No. 122 (December 7, 2017) *Exhibit 110 - Rebuttal Testimony of Ashley Sarver* page 8 line 20, through page 9 line 2.

¹¹⁵ EFIS No. 130 (December 7, 2017) *Exhibit No. 202 - Rebuttal Testimony of Keri Roth*, page 8 line 5, through line 12.

salaries have occurred since 2013, almost \$10,000 over two years for some job titles.¹¹⁶ When costs are fluctuating from year to year, a single year may represent a peak or a valley, so reliance on an anomalous year will distort rates.¹¹⁷ To avoid that result, and better determine the cost of service for just and reasonable rates, two methods are available.

9. One method is to pick a year outside the fluctuations.¹¹⁸ For Josiah Cox, the Commission applied the 2013 salary for Chief Executive of mean experience in two recent cases setting the rates of First Round CSWR, LLC subsidiaries.¹¹⁹ Use of 2013 MERIC salary for Josiah Cox also avoids having to account for significant fluctuations in the MERIC wage levels shown in subsequent years for these employees' job categories.¹²⁰ Consistency among the subsidiaries of First Round CSWR, LLC also favors using the 2013 amount.

10. The other method is to normalize expenses by averaging years¹²¹ ("normalizing"). Todd Thomas has not been with First Round CSWR, LLC long enough to make the 2013 MERIC salary accurate for him. Normalization is more accurate, and

¹¹⁶ EFIS No. 122 (December 7, 2017) *Exhibit 110 - Rebuttal Testimony of Ashley Sarver* page 7 line 24, through page 8 line 4.

¹¹⁷ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 4 line 17, through line 19.

¹¹⁸ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 4 line 17, through line 19.

¹¹⁹ ***In the Matter of the Water Rate Increase Request of Hillcrest Utility Operating Company, Inc.***, File No. WR-2016-0064. File No. SR-2016-0202, ***In the Matter of the Application of a Rate Increase for Raccoon Creek Utility Operating Company Inc.*** EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 4 line 12, through line 17.

¹²⁰ EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 4 line 8, through line 19.

¹²¹ EFIS No. 122 (December 7, 2017) *Exhibit No. 110 - Rebuttal Testimony of Ashley Sarver* page 10 line 18, through line 21.

the 2015 mean amount is the amount actually paid for the MERIC job title of Construction Manager that is closest to a three-year average.¹²²

11. First Round CSWR LLC's records show that First Round CSWR LLC employees spend 16.61% of their time on Indian Hills.¹²³

Discussion

All parties agree that MERIC job titles are the standard measure to set the amount of employee compensation that Indian Hills may collect through rates. For Todd Thomas, all parties agree that the most accurate MERIC classification is Construction Manager. For Josiah Cox, the most accurate MERIC classification is in dispute.

OPC argues that the appropriate classification is General Operations Manager because Josiah Cox is merely the top manager of a small utility, and the practice in Missouri is to call such a person the general manager. OPC's argument ignores the undisputed fact that Josiah Cox works not only for Indian Hills, but also for First Round CSWR, LLC, which requires his services as to four water companies and the acquisition of more. OPC implicitly acknowledges this when, as set out below, OPC argues in favor of allocating salary to Indian Hills in proportion to the hours worked on Indian Hills business. That reasoning supported the same conclusion as to Josiah Cox's work for Hillcrest in **Hillcrest Rate Case**,¹²⁴ ("**Hillcrest Rate Case**") and OPC shows no reason to decide otherwise here. The Commission concludes that the appropriate MERIC classification for Josiah Cox is Chief Executive.

¹²² EFIS No. 116 (December 7, 2017) *Exhibit No. 104 - Direct Testimony of Ashley Sarver* page 5 Line 7 through line 8.

¹²³ EFIS No. 129 (December 7, 2017) *Exhibit No. 201, Direct Testimony of Keri Roth* page 5 line 2, through line 9.

¹²⁴ File No. WR-2016-0064, EFIS No. 93 (July 12, 2016) *Report and Order*, page 16, ***In the Matter of the Water Rate Increase Request of Hillcrest Utility Operating Company, Inc.***,

As to MERIC experience levels, the parties agree, and the Commission concludes, that the years of experience of First Round CSWR, LLC employees in the water company business support a mean experience level. The Commission concludes that the mean experience level is appropriate.

As to the appropriate years for salaries and an inflation index, Indian Hills and Staff do not seek an inflation index. OPC also argues that the Commission should use no inflation index because OPC favors 2016 salary amounts, which are sufficiently recent to be accurate without inflation. And, at least as to Todd Thomas, normalization, for which his 2015 salary level substitutes, is more accurate than the 2016 data, so it requires an inflation factor even less than 2016 data. The Commission concludes that a straight application of 2016 MERIC salary levels is inaccurate for the salaries of Josiah Cox and Todd Thomas. The Commission concludes that the 2013 level for Josiah Cox and the 2015 level for Todd Thomas will support safe and adequate service at just and reasonable rates.

As to an allocation factor to apportion First Round CSWR, LLC employee time to Indian Hills, the parties argue that the most accurate method is by time records, which show that First Round CSWR, LLC employees spend 16.61 percent of their time on Indian Hills. The Commission concludes that the allocation factor of 16.61 percent reflects the proportion of employees' time spent on Indian Hills.

Therefore, on the issue of payroll, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

ii. Auditing and Tax Preparation Fee

The Commission is ordering that Indian Hills' compliance tariffs shall include amounts in rates and charges for the auditing and tax preparation fees that Indian Hills pays to First Round CSWR, LLC as sought by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

a. *What is the appropriate amount of Indian Hill's auditing and tax preparation (accounting) costs to include in Indian Hill's cost of service?*

- \$13,993.

b. *Should accounting costs paid outside the test year be included in Indian Hill's cost of service?*

- Yes.

Findings of Fact

1. Standard practices for measuring just and reasonable rates include matching a public utility's yearly revenue requirement with its yearly cost of service ("matching principle").¹²⁵ Reasonable rates may include known and measurable amounts that did not occur within a test year, but will recur.¹²⁶

2. Preparing tax returns and auditing financial statements is part of any professionally operated utility and even more important for a distressed utility trying to raise capital. Indian Hills must file tax returns.¹²⁷ Indian Hills must have audited financial statements to secure funding from any major government source for water system improvement. A potential source of financing to one of First Round CSWR, LLC's

¹²⁵ EFIS No. 130 (December 7, 2017) *Exhibit No. 202 - Rebuttal Testimony of Keri Roth* page 4 line 11 through line 12.

¹²⁶ EFIS No. 124 (December 7, 2017) *Surrebuttal Testimony of Ashley Sarver* page 3 line 18, through page 4 line 7.

¹²⁷ EFIS No. 90 *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 227 line 4, through line 22.

subsidiaries rejected that subsidiary's application for equipment funding because the subsidiary lacked audited financial statements.¹²⁸

3. First Round CSWR, LLC completed audited financial statements and prepared tax returns ("accounting") for itself and its subsidiaries. First Round CSWR, LLC billed Indian Hills an allocated amount for those accounting services ("accounting costs") before, but received payment after, March 2017.¹²⁹ The accounting costs included one-time retainers of \$500 for the audited financial statements and \$1,250 for the tax preparation, which Indian Hills will not pay again. The remaining accounting costs allocated to Indian Hills total \$13,933,¹³⁰ and that amount will recur yearly.¹³¹

Discussion

The accounting costs are required for Indian Hills. Tax returns are a legal necessity. Audited financial statements are a practical necessity. OPC argues that audited financial statements are not necessary because no Commission regulation includes audited financial statements in cost of service. No authority requires such a regulation to make a cost part of a public utility's revenue requirement.

Nevertheless, OPC argues that none of the accounting costs should find their way into Indian Hills' rates and charges. In support, OPC cites the matching principle, and the fact that Indian Hills did not pay the bill for the accounting costs during Staff's proposed

¹²⁸ EFIS No. 94 (December 7, 2017) *Direct Testimony of Josiah Cox* page 23 line 13, through page 24 line 5.

¹²⁹ EFIS No. 90 *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 215 line 7, though line 17.

¹³⁰ EFIS No. 124 (December 7, 2017) *Surrebuttal Testimony of Ashley Sarver* page 2 line 17, through page 3 line 14.

¹³¹ EFIS No. 99 (December 7, 2017) *Exhibit No. 6 - Surrebuttal Testimony of Phil Macias* page 6 line 19 though line 23.

test year. Unlike some other Commission cases,¹³² the Commission did not issue an order that set a test year, update period, or true-up dates for this case. Even if the Commission ordered a test year in this case, such an order does not inflexibly exclude costs paid¹³³ outside the test year, if the amounts support safe and adequate service, are known, and are measurable. Just and reasonable rates include such amounts.¹³⁴

In the alternative to excluding the accounting costs, OPC asks the Commission for the same relief as Indian Hills and Staff. That request is to include Indian Hills' allocated accounting costs, less the non-recurring retainers, in Indian Hills' rates and charges.

The Commission concludes that paying the accounting services outside Staff's test year does not require excluding the accounting costs from Indian Hills' rates and charges.

Therefore, on the issue of auditing and tax preparation fees, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

iii. Management Consulting Fees

The Commission is ordering that Indian Hills' compliance tariffs shall include an amount in rates and charges for management consulting fees that Indian Hills pays to

¹³² See, for example, File No. GR - 2014 - 0086, EFIS No. 15 (January 23, 2014) *Order Determining Test Year, Update, and True-Up*, issued on January 23, 2014, ***In the Matter of Summit Natural Gas of Missouri Inc.'s Filing of Revised Tariffs To Increase its Annual Revenues For Natural Gas Service***.

¹³³ This distinguishes the basis for the Commission's rulings in this action from its ruling in ***Hillcrest Rate Case***. In ***Hillcrest Rate Case***, the Commission included in the cost of service no amount for fees that were not known, measurable, and paid. File No. WR-2016-0064 EFIS No. 93 (July 12, 2017) *Report and Order* page 20.

¹³⁴ EFIS No. 124 (December 7, 2017) *Surrebuttal Testimony of Ashley Sarver* page 4 line 5, through line 7.

Lois Stanley as sought by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

a. *Should a management consulting fee be included in the cost of service for Indian Hills?*

- Yes.

Findings of Fact

1. Indian Hills' infrastructure system includes about 16 miles of pipe,¹³⁵ consists of randomly gauged lines, and is about 50 years old.

2. No tracer wires exist to help locate lines by metal detection.¹³⁶ No map shows the original¹³⁷ or current¹³⁸ location of the system's mains and other infrastructure. Missouri One Call does not have that information because Missouri One Call gets that information from utilities¹³⁹ but Indian Hills' predecessors never gave that information to Missouri One Call.¹⁴⁰ Absent such resources, there are two options for locating infrastructure.

¹³⁵ EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 18 line 13, through line 15.

¹³⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 238 line 16, through 23.

¹³⁷ EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 18 line 1, through line 6.

¹³⁸ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 237 line 2, through line 18.

¹³⁹ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 236 line 2, through line 17.

¹⁴⁰ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 245 line 1, through page 246 line 8.

3. The first option is “potholing,” which means digging at random or close to a wet spot.¹⁴¹

4. The second option is to ask Lois Stanley. Ms. Stanley managed the system before Indian Hills bought it.¹⁴² Ms. Stanley knows the infrastructure’s location and operation.¹⁴³ Ms. Stanley locates connections and other undocumented features of the system.¹⁴⁴ For example, Ms. Stanley has located buried valves, which saves Indian Hills the capital investment of installing new isolation valves.¹⁴⁵ Ms. Stanley also knows the location and gauge of lines in places where no one else knew that a line existed.¹⁴⁶

5. Indian Hills has contracted with Ms. Stanley for that service and other applications of her institutional knowledge.¹⁴⁷ Under the contract, Indian Hills pays \$500 per month¹⁴⁸ to Ms. Stanley for her work on an as-needed basis, without regard to how many hours Ms. Stanley works in a month. As a result of this contract, no time sheets

¹⁴¹ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 238 line 16, through page 239 line 1.

¹⁴² EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 18 line 7, through line 11.

¹⁴³ EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 18 line 7, through line 11.

¹⁴⁴ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 3 line 14, through line 16.

¹⁴⁵ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 233 line 6 through 23.

¹⁴⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 238 line 1, through line 15.

¹⁴⁷ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 3 line 6, through line 8.

¹⁴⁸ EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 17 line 18, through 22.

are needed or used for her.¹⁴⁹ Indian Hills communicates with Ms. Stanley through Indian Hills' design engineer and operations and maintenance contractor.¹⁵⁰

6. Indian Hills has the option to terminate the contract after three years, but Indian Hills may not terminate the contract because Indian Hills will likely still need to make repairs and replacements and to use Ms. Stanley's expertise on the system in the future.¹⁵¹

Discussion

OPC argues that Indian Hills' contract with Ms. Stanley is merely a method to pay her more than the system is worth, impugns the value of her services, and denigrates the evidence describing Ms. Stanley's usefulness. For example, OPC emphasizes the absence of time sheets, but nothing requires Indian Hills to treat Ms. Stanley like an employee instead of a contractor. Indian Hills has demonstrated the value of Ms. Stanley' services and the Commission's findings of fact reflect the Commission's assessment of the evidence.

Significantly, OPC offers no alternative to Ms. Stanley's institutional memory for locating infrastructure. OPC also argues that Ms. Stanley could convey all the information that Indian Hills needs in less than three years, but no evidence suggests that such a feat is possible. On this record, the only alternative is potholing. Indian Hills has shown that contracting with Ms. Stanley, to locate lines before digging, is more

¹⁴⁹ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 3 line 3, through line 5.

¹⁵⁰ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 237 line 19, through 22.

¹⁵¹ EFIS No. 95 (December 7, 2017) *Exhibit 2 - Rebuttal Testimony of Josiah Cox* page 18 line 13, through line 15.

economical than digging blindly. The Commission concludes that the management fee is appropriate to include in this case.

Therefore, on the issue of management and consulting fees, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

iv. Bank Fees

The Commission is ordering that Indian Hills' compliance tariffs shall include an amount in rates and charges for the bank fees as sought by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

a. What is the appropriate level of bank fees to include in the cost of service for Indian Hills?

- *[Twelve] months of bank fees in [Indian Hills'] cost of service totaling \$4,[932].*¹⁵²

Findings of Fact

1. Indian Hills incurs charges for banking services.¹⁵³ The bank service most costly to Indian Hills is "lockbox service"¹⁵⁴ at Enterprise Bank and Trust.¹⁵⁵ Lockbox service means that a bank receives payments directly from a client's customers and records the receipts for the client.¹⁵⁶ Indian Hills receives a high quantity of low dollar

¹⁵² EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 202 line 4, through 11.

¹⁵³ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 11 line 19, through 20.

¹⁵⁴ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 250 line 19, through 21.

¹⁵⁵ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 11 line 21, through 22.

¹⁵⁶ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 12 line 2, through 4.

payments, the processing of which is a time consuming and labor-intensive process,¹⁵⁷ and lockbox is a common service¹⁵⁸ for addressing that challenge, because it offers several advantages to in-house processing.

2. The advantages of a lockbox service include much faster processing of payments,¹⁵⁹ which speeds up cash flow.¹⁶⁰ Cash flow is vital to meet the ongoing maintenance and repair of a small system.¹⁶¹

3. Also, that processing happens under the rigid process controls of a bank, which reduce the inherent risks associated with cash receipts.¹⁶² In September 2017, the lockbox for Indian Hills' lockbox service processed 449 transactions; and the lockboxes for all CSWR First Round, LLC subsidiaries processed 1,165 transactions, all without error.¹⁶³ No error has occurred in two and one-half years of CSWR First Round, LLC using that subsystem.¹⁶⁴

¹⁵⁷ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 12 line 10, through line 12.

¹⁵⁸ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 250 line 23, through page 251 line 3.

¹⁵⁹ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 12 line 5, through line 6.

¹⁶⁰ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 12 line 5, through line 6.

¹⁶¹ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 251 line 15, through line 18.

¹⁶² EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 12 line 7, through line 9.

¹⁶³ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 13 line 1, through line 4.

¹⁶⁴ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 13 line 4, line through 6.

4. Further, when Indian Hills pays for lockbox service, its pays only its actual cost for servicing Indian Hills' customers and not an allocation.¹⁶⁵

Discussion

Indian Hills and Staff argue that the compliance tariffs should include an amount for lockbox service because that amount represents the cost of processing customer payments. Indian Hills must process payments somehow. OPC offers no alternative. Although OPC suggests that self-dealing has inflated the bank fees, OPC has raised no serious doubt as to whether Indian Hills is paying more than an ordinary price for lockbox services.

The provisions of the partial disposition agreement incorporated into the *Non-Unanimous Stipulation and Agreement*, include Indian Hills delivering documentation to Staff showing that Indian Hills has determined whether its bank fees are the most cost effective for Indian Hills by consulting with other banks.¹⁶⁶ That and similar documentation may show that Indian Hills has diligently explored alternative providers for banking services. But without it, any future Commission may conclude that Indian Hills' bank fees do not support safe and adequate service at just and reasonable rates, and may exclude bank fees from Indian Hills' cost of service.

Therefore, on the issue of bank fees, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

¹⁶⁵ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 251 line 18, through page 252 line 3.

¹⁶⁶ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement* page 2, paragraph a.iv. EFIS No. 14 (September 1, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing*, Appendix 1: Partial Disposition Agreement of Small Water Revenue Increase Request, page 3 paragraph (4)(d).

v. Rate Case Expense

The Commission is ordering that Indian Hills' compliance tariffs shall include in rates and charges an amount for rate case expense shared between Indian Hills and Indian Hills' customers as sought by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

a. What is the appropriate rate case expense to include in the cost of service for Indian Hills?

- *A normalized rate case expense of \$5,722 (includes a five year amortization and a 50/50 sharing of expert witness fees).*

Findings of Fact

1. The relief ordered in this action will benefit Indian Hills, in that Indian Hills will have just and reasonable rates; and will benefit customers, in that customers will have safe and adequate service.¹⁶⁷

2. Pursuing this action required Indian Hills to incur expenses that include consultant fees, expert witness fees, lawyer fees, and the cost of publishing notices to customers.¹⁶⁸

3. During discovery, Indian Hills mistakenly included an invoice for a video presentation shown at the local public hearing.

4. Preparation and presentation of a general rate action is a costly endeavor, as the fees charged by certain expert witnesses show.¹⁶⁹

¹⁶⁷ EFIS No. 123 (December 7, 2017) *Exhibit 111 - Surrebuttal Testimony of Jennifer K. Grisham* page 2 line 16, through line 20.

¹⁶⁸ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 260 line 15, though page 265 line 11.

¹⁶⁹ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 265 line 8, through line 11.

Discussion

The Commission has authority to allocate rate case expense between Indian Hills and its customers.¹⁷⁰ The resulting compliance tariffs will benefit both Indian Hills and its customers, so both Indian Hills and its customers should bear the rate case expense.

Indian Hills and Staff seek a 50/50 split of rate case expense. OPC advocated for a \$250 cap on expert and consultant fees. Indian Hills and Staff proposed to amortize the customer's share over five years, which is within OPC's suggested range.

The Commission concludes that the rate case expense should be allocated using a 50/50 split. A 50/50 allocation reflects the joint benefits and burdens of the rate case. The issues raised were raised equally between the Company and OPC so that an equal sharing is appropriate. A five year amortization results in a lesser amount in rates per year and is reasonable.

Therefore, on the issue of rate case expense, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

vi. Leak Repair Costs

The Commission is ordering that Indian Hills' compliance tariffs shall include in rates and charges an amount for initial leak repair cost in the amount of \$90,000 amortized over three years, and future repair expense in operation and maintenance, as argued by Indian Hills and Staff. The issues list and the prevailing position statement use the following language.

¹⁷⁰ *In Matter of Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv. v. Missouri Pub. Serv. Comm'n*, 509 S.W.3d 757, 776 (Mo. App., W.D. 2016).

a. *What are the appropriate accounts to book leak repair?*

- *Booking the initial leak repair cost in rate base and amortizing this amount over three years. Future repair expense should be booked in operation and maintenance accounts.*

b. *What is the appropriate level of leak repair to include in the cost of service?*

- *[\$90,000] included in rate base and amortize this amount three years.*

The Commission is also ordering the new relief sought in the *Non-Unanimous Stipulation and Agreement*:

- *Engineering Study.*
- *Monthly Usage Data.*
- *Repair Expense Tracker.*¹⁷¹

Findings of Fact

1. To comply with environmental regulations, Indian Hills had to increase pressure in its system,¹⁷² which caused 300 leaks in 12 months.¹⁷³ Indian Hills addressed those leaks by doing an average of six repairs per week.¹⁷⁴

2. When Indian Hills does a leak repair, it substitutes a new section of pipe for a leaking section of pipe.¹⁷⁵ When Indian Hills does a replacement, Indian Hills substitutes

¹⁷¹ The tracker is one of two items in Attachment B to the *Non-Unanimous Stipulation and Agreement* that is not supported in Staff's prepared testimony but is supported by live testimony at the evidentiary hearing. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 383 line 16, through page 384 line 3; page 393 line 17, through line 25. The other is the return on equity percentage.

¹⁷² EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 286 line 3, through line 13.

¹⁷³ EFIS No. 102 (December 7, 2017) *Exhibit No. 9 - Surrebuttal Testimony of Todd Thomas* page 5 line 21, through line 22.

¹⁷⁴ EFIS No. 101 (December 7, 2017) *Exhibit 101 - Rebuttal Testimony of Todd Thomas on Behalf of Indian Hills Utility Operations Company* page 8 line 6, through line 8.

¹⁷⁵ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 316 line 4, through line 15.

new line from the main to the meter.¹⁷⁶ Compared to a repair, pipe replacement takes three or four times as long and replacing a main takes nine or ten times as long, and both interrupt service to customers.¹⁷⁷

3. The condition of Indian Hills' system guarantees that the costs of repair and replacement will continue to accrue.¹⁷⁸

4. Indian Hills spent approximately \$90,000 on repairs between March 2016 and March 2017.¹⁷⁹ Three years is a reasonable time for amortizing that amount.¹⁸⁰ Indian Hills has improved its recordkeeping system for repairs¹⁸¹ to show how much Indian Hills must spend to make repairs or replacements in its system each year.¹⁸² The difference is significant because a replacement is plant in service, which counts as capital in rate base and cannot be accounted for in new rates after it is used and made useful.¹⁸³

¹⁷⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 316 line 2, through line 25.

¹⁷⁷ EFIS No. 102 (December 7, 2017) *Exhibit No. 9 - Surrebuttal Testimony of Todd Thomas* page 6 line 2, through line 11.

¹⁷⁸ EFIS No. 120 (December 7, 2017) *Exhibit No. 108 - Rebuttal Testimony of Jennifer K. Grisham* page 5 line 15, through page 6 line 5.

¹⁷⁹ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 386 line 19, through line 24.

¹⁸⁰ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 389 line 12, through page 390 line 24.

¹⁸¹ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 290 line 5, through page 291, line 16.

¹⁸² EFIS No. 120 (December 7, 2017) *Exhibit No. 108 - Rebuttal Testimony of Jennifer K. Grisham* page 5 line 21, through page 6 line 3.

¹⁸³ EFIS No. 120 (December 7, 2017) *Exhibit No. 108 - Rebuttal Testimony of Jennifer K. Grisham* page 6 line 10, through line 22.

5. A systemic replacement program for system mains and service connections, based on historic repair data and engineering expertise, would help address the leak issue caused by increases in pressure from the required plant upgrades.¹⁸⁴

6. In utility accounting practice, a “tracker” is a provision that sets an amount certain (“baseline”) for a specified line item and directs that amounts above the baseline shall be recorded in a specified account under the Uniform System of Accounts (“USoA”) for consideration at the next rate case. A two-way tracker records both amounts above the baseline and amounts below the baseline.¹⁸⁵ A tracker is useful for monitoring an amount when it is uncertain whether that amount will increase or decrease.¹⁸⁶ The existence of a tracker does not pre-determine rate-making treatment in the next rate case.¹⁸⁷

Discussion

As to the amount for leak repair that Indian Hills should collect in rates, the parties dispute how much of the costs reported as repairs are really replacement of capital items, and how many repeated repairs profited contractors where prudence directed a replacement instead of a repair. The Commission has found the evidence weighs more in favor of Indian Hills and Staff.

¹⁸⁴ EFIS No. 134 (December 7, 2017) *Exhibit No. 206 - Rebuttal Testimony of John A. Robinett* page 4 line 11, through line 20. EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 356 line 10, through line 14.

¹⁸⁵ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 388 line 3, through line 21.

¹⁸⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 392 line 4, through line 15.

¹⁸⁷ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 394 line 16, through line 20.

Pursuant to its statutory authority,¹⁸⁸ the Commission's regulations¹⁸⁹ incorporate USoA published by the National Association of Regulatory Utility Commissioners. Staff cites the provisions of USoA stating that operating expenses include items of maintenance:

Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
[¹⁹⁰]

That language describes repairs to the system.

OPC argues for a maintenance expense of \$5,198, and for capitalizing \$90,426 in leak repairs. In support, OPC criticizes Indian Hills for the many leaks caused by an increase in pressure. The increase in pressure was necessary to comply with environmental regulations. OPC criticizes Indian Hills for having no plan in place to deal with the resultant leaks, but offers no evidence of how to plan for leaks except by being ready to fix them when they appear, which Indian Hills has done. OPC also criticizes Indian Hills for keeping inadequate records, but the improvement in Indian Hills' recordkeeping is undisputed. OPC criticizes Indian Hills for how Indian Hills prioritized its improvements to the system and doing repairs instead of replacements, but reasonable minds may disagree as to which action was prudent under the facts known at the time. Moreover, OPC cites no authority under which the quality of management influences the account under which Indian Hills must record an expense.

¹⁸⁸ Section 393.140(4).

¹⁸⁹ 4 CSR 240-50.030(1).

¹⁹⁰ EFIS No. 127 (December 7, 2017) *Exhibit No. 114 - USoA Operating Expense Instructions*, second page.

OPC also cites USoA Account 343 Transmission and Distribution Mains. But that provision states that adding a minor and insubstantial item of property constitutes a maintenance expense:

When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B (I), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account. [¹⁹¹]

That language describes adding a section of pipe, which is how Indian Hills repairs its lines, so that language reinforces Staff's argument that repairs constitute a maintenance expense.

As to future repair expenses, Indian Hills and Staff seeks to establish a repair expense tracker as follows.

Repair Expense Tracker: The signatories agree to a two-way tracker for repair expenses related to water main repair and service line repair expense, with a \$90,000 base amount.¹⁹²

In its brief, OPC objects to this position, arguing that the tracker is not on the issues list and is not the subject of any pre-filed testimony. OPC did not object to testimony on the tracker at the evidentiary hearing.¹⁹³ On the contrary, OPC actively cross-examined several witnesses on that subject. Because the Commission received evidence on the tracker without objection, and because that evidence has probative value as to just and

¹⁹¹ EFIS No. 128 (December 7, 2017) *Exhibit No. 115 - Utility Plant Instructions*, second page.

¹⁹² EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement* page 5 paragraph 8. Emphasis in original.

¹⁹³ Commission regulation 4 CSR 240-2.130(7)(A) requires that "[d]irect testimony shall include all testimony and exhibits asserting and explaining that party's entire case-in-chief." Under that regulation, the Commission denied a tracker in **Hillcrest Rate Case**. But, in that case, the applicant raised that position for the first time in its post-hearing brief. File No. WR-2016-0064, EFIS No. 93 (July 12, 2016) *Report and Order*, page 18 through page 19.

reasonable rates for safe and adequate service, the Commission must consider that evidence along with the other evidence.¹⁹⁴

As the findings show, deferred recording will not involve any USoA account not ordinarily used in setting water rates. And, even if it did, the record shows good cause for a variance from USoA on this point.¹⁹⁵ The parties dispute sharply whether the cost of fixing leaks will rise or fall, and such uncertainty supports the use of a tracker. Indian Hills' history of frequent breakdowns, repairs, and replacements in the past supports a projection of frequent breakdowns, repairs, and replacements in the future. Comparing the expense in future years to the amount currently in rates will be helpful in its next small public utility rate case.

Nevertheless, the Commission expressly states that ordering the repair expense tracker does not constitute a pre-judgment as to any amounts to include in future rates. Moreover, ordering the repair expense tracker does not constitute a prejudgment as to whether any repair is more prudent than any replacement. With those caveats in place, on the issue of repair expenses and a tracker, the Commission will order the filing of compliance tariffs according to Indian Hills and Staff.

Also, Indian Hills and Staff ask for an order directing the filing of monthly usage data as follows.

On a quarterly basis, Indian Hills will submit to the Staff Water and Sewer Department monthly usage data, inclusive of water loss.¹⁹⁶

¹⁹⁴ Section 536.070(8).

¹⁹⁵ 4 CSR 240-2.060(4).

¹⁹⁶ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement* page 6 paragraph 13.

Such a provision will supply data for the future. OPC offers no evidence or argument to the contrary. The Commission will order that the monthly usage data include both water lost and water billed, and will order the data submitted to OPC at the same time as Indian Hills submits it to Staff.

Further, Indian Hills and Staff ask for an order directing a study of the system and a plan for improvements. And, in their brief, Indian Hills asks for even more detailed reporting instructions:

Indian Hills agrees to develop a five-year Distribution System Improvement Plan (DSIP) for replacement of mains and service connections, where such replacement is necessary and prudent. The goal of the DSIP will be to continue current efforts to reduce the frequency of significant leaks and water loss, and provide a predictable construction schedule for its customers. To develop the DSIP, Indian Hills will perform an engineering study to outline the water system areas based on historical repair data and current distribution line plans that should be scheduled for main replacement, and submit the DSIP to OPC and the PSC Water and Sewer Department by April 15, 2018. The DSIP will include the engineering study and the five-year schedule proposal to address the most problematic portions of the system. Thereafter, Indian Hills shall submit progress reports as to the replacement program developed in the DSIP with its annual reports. The progress reports will update the DSIP, with explanations of any adjustments to the five-year schedule. The progress reports will continue for a five year period (until April 15, 2023), unless sooner modified by Commission order.

That language better describes the study.

With those further provisions, on the issue of leak repair expense including the new positions, the Commission will order relief as sought by Indian Hills and Staff.

vii. *Extension of Electrical Service*

The Commission is ordering that Indian Hills' compliance tariffs shall include amounts in rates and charges for the electrical extension as argued by OPC, and as argued in the alternative by Staff. The issues list and the prevailing position statement use the following language.

a. *Should the Company be able to capitalize the electric line extension?*

- *The Company does not own the electric line extension. For this reason, no party should recommend that it be capitalized. This is OPC's position, which is consistent with NARUC USOA, Account 101.*

b. *If so, what are the appropriate accounts to book the extension of electric line service?*

- *Again, the Company does not own the electric line extension. This question [of capitalization] should be moot for all parties.*

Findings of Fact

1. Indian Hills' system uses industrial electrical and pumping equipment for a new well, booster pumps, ground storage and well house¹⁹⁷ ("the equipment") that required a three-phase power connection.¹⁹⁸

2. To serve the three-phase power connection, Crawford Electrical Cooperative ("the Cooperative") required Indian Hills to pay "a non-refundable payment in the sum of \$23,000" for the cost of facilities (electrical extension") required to make service available to [Indian Hills for the equipment] on or before commencement of construction of such facilities."¹⁹⁹

¹⁹⁷ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 4 line 4, through line 7.

¹⁹⁸ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 15 line 16, through 21.

¹⁹⁹ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 8, through 11.

3. The alternative to the three-phase power connection was a “phase-a-matic converter.”²⁰⁰ A phase-a-matic converter is more expensive, less reliable, and more susceptible to power surges.²⁰¹ A phase-a-matic converter lowers equipment life spans, increases operations and maintenance costs, and results in higher customer rates.²⁰² The electrical extension was a practical necessity for the equipment and any other new plant requiring electricity.²⁰³

4. Indian Hills made that payment to the Cooperative on May 17, 2016.²⁰⁴ The Cooperative constructed the electrical extension. The Cooperative owns the electrical extension.²⁰⁵

5. Indian Hills does not own the electrical extension.²⁰⁶

Discussion

OPC argues that, because Indian Hills does not own the electrical extension, Indian Hills must treat the cost as an expense, not capital, and recommends amortizing it over five years. In support, OPC cites USoA Account 101 Utility Plant in Service.²⁰⁷

²⁰⁰ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 15, through 18.

²⁰¹ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 18, through 21.

²⁰² EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 18, through 21.

²⁰³ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 363 line 23 through line 25.

²⁰⁴ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 12, through line 14.

²⁰⁵ EFIS No. 135 (December 7, 2017) *Exhibit No. 207 - Surrebuttal Testimony of John A. Robinett* Schedule JAR-S-1 Affidavit of Brett Palmer, Manager of Operations with Crawford Electric Cooperative, Inc.

²⁰⁶ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 362 line 3, through line 5.

²⁰⁷ Incorporated into the Commission’s regulation 4 CSR 240 - 50.030(1) pursuant to the authority at Section 393.140(4).

A. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department.”²⁰⁸

That language shall “be observed by . . . water corporations [.]²⁰⁹”

Account 101’s plain language requires ownership for capitalization. Account 101 extends capital treatment to things possessed by another entity, but not to things owned by another entity, and bases capitalization squarely on ownership. Ownership of the electrical extension is in the Cooperative. Indian Hills does not own the electrical extension. As OPC argues, “The Company has no right to earn a return on the electric plant of another utility [.]²¹⁰”

In favor of capitalizing the electrical extension, Indian Hills and Staff cite USoA Account 325, Electrical Pumping Equipment:

[T]his account shall include the cost installed of pumping equipment driven by electric power . . .

* * *

6. Electric power lines and switching. [²¹¹]

None of those words in Account 325 negates Account 101’s basic requirement of ownership. Indian Hills also offered expert testimony that any utility may capitalize

²⁰⁸ EFIS No. 134 (December 7, 2017) *Exhibit No. 206 - Rebuttal Testimony of John A. Robinett* page 2 line 16, through line 25 (emphasis OPC’s).

²⁰⁹ Section 393.140(4).

²¹⁰ EFIS No. 176 (January 4, 2018) *Brief of the Office of the Public Counsel* page 32.

²¹¹ EFIS No. 98 (December 7, 2017) *Exhibit No. 5 - Rebuttal Testimony of Phil Macias (Public & Confidential)* page 4 line 15.

anything remotely connected with the operation of a capital item.²¹² Indian Hills cites no authority supporting that argument, and its testimony on that issue is unpersuasive. Indian Hills alleges that the three-phase power connection was a practical necessity, which OPC does not dispute, and the Commission has found.

Also, Staff cites an earlier decision in which the Commission ordered the capitalization of a cost for inspection fees.²¹³ The earlier decision's analysis is unpersuasive. The earlier decision cites no authority for treating something that a utility does not own as a capital asset.

In the alternative, Staff supports OPC's position,²¹⁴ which the Commission concludes is correct under the law, that the electrical extension constitutes an expense. The electrical extension represents a one-time payment for the construction of Cooperative property to serve Indian Hills. The Commission will order the compliance tariffs to amortize the amount over five years. The Commission bases that ruling on the experience, knowledge, and training of expert witnesses²¹⁵ and not, as Indian Hills argues, on a mistaken reading of the contract with the Cooperative.²¹⁶

The Commission concludes that the electrical extension constitutes an expense, and not a capital item. Therefore, on the issue of the electrical extension, the

²¹² EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 362 line 24, through page 364 line 25.

²¹³ Case No. ER-90-101, *Report and Order* (October 5, 1990) page 33 through 34, ***In the matter of Missouri Public Service for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company, at al.***

²¹⁴ EFIS No. 120 (December 7, 2017) *Exhibit No. 108 - Rebuttal Testimony of Jennifer K. Grisham* (Public & Confidential) page 4 line 16, through 18.

²¹⁵ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 388 line 23, through page 390 line 23. EFIS No. 120 (December 7, 2017) *Exhibit No. 108 - Rebuttal Testimony of Jennifer K. Grisham* (Public & Confidential) page 4 line 16, through 18.

²¹⁶ EFIS No. 101 (December 7, 2017) *Exhibit No. 8 - Rebuttal Testimony of Todd Thomas* page 16 line 3, through line 11.

Commission will order the filing of compliance tariffs according to the OPC position statement and Staff's alternative position.

B. Rate of Return²¹⁷

The Commission is ordering that Indian Hills' compliance tariffs shall include amounts in rates and charges for a:

- a. Debt to equity ratio of 50/50 as sought by OPC,
- b. Cost of debt at 6.75 percent as sought by OPC, and
- c. Return on equity at 12 percent as sought by Indian Hills and Staff.

The resulting rate of return is 9.375 percent.

Findings of Fact

1. Standard financial practice measures the return on an investment by multiplying the cost of each capital component (debt and equity) by its respective proportion in the capital structure, and adding the two products together, yielding a weighted average cost of capital, ("WACC") which equals the rate of return.²¹⁸

| | | | | | | |
|---------------------|---|----------|--------------------|------------------|---|---|
| 100% Capitalization | = | Debt % | x Return on Debt | = Cost of Debt | = | Weighted Cost of Capital (Rate of Return) |
| | | Equity % | x Return on Equity | = Cost of Equity | | |

2. As the table above shows, capital structure is the proportion of debt to equity that finances an enterprise. Whatever the returns on debt and equity, the proportions of

²¹⁷ The Commission addresses this issue out of the sequence set forth in the issues list for a more logical progression in the construction of a rate. The issues list numbers the issues as VIII Rate Design and IX. Rate of Return. But rate of return is part of the revenue requirement that Indian Hills must collect, and rate design is how Indian Hills will collect the revenue requirement, so the Commission addresses those issues in that order.

²¹⁸ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 3, line 1, Table 1.

debt and equity constitute the multiplier for each. For that reason, capital structure is crucial in determining a rate of return.

3. Determining values for the variables in the WACC formula may include using a proxy. A proxy is an entity that is similar in significant characteristics. Public utilities may be significantly similar for WACC while appearing significantly different otherwise; for example, public utilities that vary greatly in size may constitute valid proxies because their financial strength is the same.²¹⁹

4. When it comes time for payment to lenders and investors, or collection, debt has priority over equity; so equity must compensate for debt's priority by offering a higher rate.²²⁰

Discussion

Indian Hills' returns depend on the Commission's rulings on values related to capital components. Those rulings are as follows.

| | | | | | | |
|---------------------|---|------------|----------|----------|---|--------------------------|
| 100% Capitalization | = | 50% debt | x 6.75% | = 3.375% | = | 9.375% Rate of Return |
| | | 50% equity | x 12.00% | = 6.000% | | |

The grounds for those rulings are as follows.

i. Capital Structure.

The issues list and the prevailing position statement use the following language.

a. What capital structure should be used for determining rate of return?

- *[A] 50-50 capital structure to reflect what the Company should be working toward, over time, in order to improve its financial standing. Currently, the*

²¹⁹ EFIS No. 95 (December 7, 2017) *Exhibit No. 2 - Rebuttal Testimony of Josiah Cox (Public & Confidential)* page 17 line 1, through 12; EFIS No. 103 *Exhibit 10, Direct Testimony of Dylan W. D'Ascendis*, Schedule DWD-3 page 1 of 9, and Schedule DWD-4 page 2 of 12.

²²⁰ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* 19 line 5, through line 20.

utility is highly leveraged with debt, which arguably could have impacted its ability to obtain a lower cost of debt on the market.

Findings of Fact

1. The contributions of both customers and the public utility act like a partnership in support of safe and adequate service.²²¹ Just and reasonable rates recognize the public utility investments that benefit customers by providing, not only a fair rate of return, but also the ability to build up balance sheet strength and create some financial standing and integrity that allow the public utility to borrow funds under less restrictive conditions, particularly with arm's-length transactions with lenders.²²²

2. Sound ratemaking practice accomplishes those goals by using a hypothetical capital structure under which a public utility can retain earnings to grow the invested capital by reinvestment in plant, and to pay down more expensive borrowing sources.²²³ Reinvestment and paying down debt will produce an actual capital structure of common equity and debt in a ratio representative of a stronger business entity.²²⁴ For a system with no history of reinvestment, like Indian Hills' system, a hypothetical capital structure may result in safer and more adequate service at rates that give the public utility the opportunity for greater financial strength.²²⁵

²²¹ EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 553 line 19, through line 22.

²²² EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 553 line 22, through page 554 line 7.

²²³ EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 554 line 8, through line 22.

²²⁴ EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 554 line 23, through page 555 line 4.

²²⁵ EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 555 line 23, through page 556 line 7.

3. A 50/50 hypothetical capital structure is appropriate for supporting a public water utility in the state of Missouri.²²⁶ That is because keeping debt at 50 percent or below discourages excessive debt that unduly burden customers,²²⁷ and keeping equity at 50 percent or above discourages excessive equity costs.²²⁸ In these circumstances, a public utility should have no more than 50 percent debt and no less than 50 percent equity.²²⁹

4. A 50/50 ratio of debt to equity thus reflects the goals of safe and adequate service at just and reasonable rates because it may result in safer and more adequate service at rates that give the public utility the opportunity for greater financial strength.²³⁰

5. Indian Hills does not issue stock for public trade, so its actual capital structure is uncertain,²³¹ and a hypothetical capital structure is more certain to support safe and adequate service at just and reasonable rates.²³² For Indian Hills, a 50/50 hypothetical capital structure will direct Indian Hills toward capital re-investment and repayment of

²²⁶ EFIS No. 172 (December 11, 2017) *Exhibit No. 213 - Surrebuttal Testimony of Michael P. Gorman* page 4 line 21, through page 5 line 3.

²²⁷ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 3 line 21, through line 23.

²²⁸ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 3 line 21, through line 23.

²²⁹ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 3 line 8, through line 10.

²³⁰ EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 555 line 23, through page 556 line 7.

²³¹ Just how uncertain Indian Hills' capital structure is appears in the testimony of Indian Hills and OPC. Indian Hills claims to have an actual capital structure 77.12% debt and 22.88% equity. EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 3 line 1, Table 1. OPC alleges that Indian Hills' actual capital structure has but a fraction of that equity. EFIS No. 170 (December 11, 2017) *Exhibit No. 214 - Rebuttal Testimony of Michael P. Gorman (Confidential)* page 3 line 8, through line 11.

²³² EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 545 line 2, through line 8.

high-interest debt, which will result in financial health²³³ and access to outside capital.²³⁴ Those results favor both the utility and the customers.

Discussion

Indian Hills and Staff argue that the Commission should order that the compliance tariffs include amounts for rates and charges based on a capital structure of 78.8 percent debt and 21.2 percent equity because that is Indian Hills' actual capital structure. Assuming, without deciding, that 78.8/21.2 represents Indian Hills' actual capital structure, the Commission concludes that a 50/50 hypothetical capital structure better supports safe and adequate service at just and reasonable rates. OPC's evidence showed that a 50/50 capital structure provides financial strength that better balances the interests of Indian Hills and its customers by protecting the customers from unduly burdensome debt and capital expenses while strengthening Indian Hills' finances.²³⁵

Indian Hills argues that Indian Hills cannot have a 50/50 capital structure because Indian Hills cannot obtain conventional financing. But one of the advantages to a 50/50 capital structure is that it will help Indian Hills find outside capital.²³⁶ Further, the Commission directed Indian Hills to use the financing authorized in the acquisition case

²³³ EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 553 line 23, through 555 line 3. EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 3 line 24, through page 4 line 2.

²³⁴ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 3 line 20, through line 21.

²³⁵ EFIS No. 172 (December 11, 2017) *Exhibit No. 213 - Surrebuttal Testimony of Michael P. Gorman* page 4 line 21, through page 5 line 3.

²³⁶ Indian Hills also cites **Hillcrest Rate Case**, in which the Commission used an actual capital structure, but offers no authority requiring the Commission to reach a similar result on a different record.

solely to acquire and improve the system. Indian Hills violated that directive.²³⁷ A 50/50 capital structure will encourage financial integrity, which the Commission intended in the acquisition case, for the benefit of the system in which Indian Hills and the customers share an interest. The Commission encourages Indian Hills to seek outside financing before its next rate case.

Therefore, on the issue of capital structure, the Commission will order the filing of compliance tariffs according to the OPC position statement.

ii. Cost of Debt.

The issues list and the prevailing position statement use the following language.

b. What cost of debt should be used for determining rate of return?

- *OPC recommends 6.75% as a reasonable imputed cost of debt [.] Mr. Gorman and Mr. Meyer explain why the Company's financing agreement has not been shown to be prudent. The financing agreement involves affiliate relationships raising the risk of self-dealing; and furthermore, the financing agreement contains a high interest rate and prevents refinancing. These conditions are not beneficial to ratepayers, and it would be unreasonable to pass forward these costs to ratepayers.*

Findings of Fact

1. Indian Hills' cost of debt is significantly above market cost of debt for a distressed public utility.²³⁸ Indian Hills' cost of debt is the result of dealings among entities closely inter-related with Indian Hills through chains of common ownership on both sides of the transaction as follows.

²³⁷ EFIS No. 204 *Surrebuttal Testimony of Keri Roth (Public)* page 2 line 12, through line 18. File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity* page 9 paragraph 21, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

²³⁸ EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 552 line 19, through line 23.

Lender and Borrower²³⁹

2. Robert Glarner, Jr. and David Glarner (“the Glarners”) own GWSD, LLC.²⁴⁰
3. GWSD, LLC, owns:
 - a. 87 percent of First Round CSWR, LLC;²⁴¹ and
 - b. A minority percentage of Central States Water Resources, Inc.,²⁴² which manages First Round CSWR, Inc.²⁴³
4. First Round CSWR, LLC:
 - a. Manages Indian Hills; and
 - b. Owns Indian Hills Utility Holding Company, Inc., which owns Indian Hills.²⁴⁴
5. Indian Hills borrowed \$1.45 million²⁴⁵ from Fresh Start Venture, LLC (“the loan”).²⁴⁶

²³⁹ EFIS No. 136 (December 7, 2017) *Exhibit No. 208 - Direct Testimony of Greg R. Meyer (Confidential)* page 3 line 1, through page 4 line 9; and Confidential Schedule GRM-1.

²⁴⁰ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 420 line 1, through line 2.

²⁴¹ The remaining 13 percent of First Round CSWR, LLC belongs to Josiah Cox. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 419 line 17, through line 25.

²⁴² EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 423 line 13, through line 19. The majority owner of Central States Water Resources, Inc. is Josiah Cox. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 419 line 1, through line 4.

²⁴³ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 422 line 23, through page 423 line 2.

²⁴⁴ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 423 line 13, through line 19.

²⁴⁵ EFIS 103 *Exhibit No. 10 Direct Testimony of Dylan W. D’Ascendis* page 39 line 8.

²⁴⁶ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 412 line 11, through line 13.

6. Fresh Start Venture, LLC is funded, and is indirectly controlled,²⁴⁷ by the Glarners.²⁴⁸

7. Josiah Cox, Robert Glarner, Jr., and David Glarner, constitute the officers and board of directors for Central States Water Resources, Inc.,²⁴⁹ Indian Hills Utility Holding Company, Inc.,²⁵⁰ and Indian Hills.²⁵¹

8. When Josiah Cox inquired into financing for Indian Hills, he did not offer to secure any financing with the personal guarantee of himself, Robert Glarner, Jr., or David Glarner.²⁵²

Other Small Water Companies in Missouri

9. For the five years before October 13, 2016, 25 small water companies, applied for new rates from the Commission, including Hillcrest.²⁵³

10. Almost all of those companies had debt outstanding, some had environmental issues, and some secured their debt with assets other than their system including personal guarantees of the owners.²⁵⁴

²⁴⁷ The Glarners also own Water Fund LLC. EFIS No. 157 (December 7, 2017) *Exhibit No. 233 - Articles of Incorporation, Water Fund, LLC.*

²⁴⁸ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 420, line 1, through line 10; page 457 line 22, through page 458 line 1.

²⁴⁹ EFIS No. 161 (December 7, 2017) *Exhibit No. 237 - 2017 Annual Registration Report Central States Water Resources, Inc.*

²⁵⁰ EFIS No. 154 (December 7, 2017) *Exhibit No. 230-2017 Annual Registration Form, Indian Hills Utility Holding Company, Inc.*

²⁵¹ EFIS No. 149 (December 7, 2017) *Exhibit No. 225 - 2017 Annual Registration Report, Indian Hills Utility Operating Company, Inc.*

²⁵² EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 425 line 9, through page 426 line 6.

²⁵³ EFIS No. 139 (December 7, 2017) *Exhibit No. 211 - Surrebuttal Testimony of Greg R. Meyer (Public)* page 6 line 16, through page 7 line 6; Schedule GRM-SUR-2. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 487 line 18 through 20.

11. The average interest rate paid by those companies, other than Hillcrest, was 5.16 percent.²⁵⁵

The Loan

12. The loan includes the following provisions.

- a. Interest at 14 percent.²⁵⁶
- b. A term of 20 years.²⁵⁷
- c. A pre-payment penalty.²⁵⁸

13. Pre-payment penalties are not unusual, but a pre-payment penalty combined with 14 percent interest is unusual, even for a distressed small water company.²⁵⁹

14. Moreover, the loan's penalty accelerates all 20 years' interest and makes it due if Indian Hills pays off the loan early, as in refinancing.²⁶⁰ Refinancing under the pre-payment penalty is therefore of benefit only to the lender.²⁶¹

²⁵⁴ EFIS No. 108 (December 7, 2017) *Exhibit No. 15 - Indian Hills Utility Operating Company, Inc., Small Water and Sewer Utility Debt Costs, Table of Financing*. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 472 line 15, through 477 line 4.

²⁵⁵ EFIS No. 139 (December 7, 2017) *Exhibit No. 211 - Surrebuttal Testimony of Greg R. Meyer (Public)* page 6 line 16, through page 7 line 6; Schedule GRM-SUR-2. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 487 line 18 through 20.

²⁵⁶ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 490 line 19 through line 20.

²⁵⁷ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 492, line 6, through line 7.

²⁵⁸ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 490, line 19, through line 23.

²⁵⁹ EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 552 line 3, through 553 line 13.

²⁶⁰ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 490, line 24, through page 491 line 4.

²⁶¹ EFIS No. 136 (December 7, 2017) *Exhibit No. 208 - Direct Testimony of Greg R. Meyer (Confidential)* page 14 line 1, through line 23.

15. The pre-payment penalties among all systems that First Round CSWR, LLC manages in Missouri aggregate to approximately \$15 million.²⁶²

Market Rate

16. A public utility should pay to its lenders, and pass along to its customers in rates and charges, the market price for the public utility's debt.²⁶³

17. Because debt has priority over equity, equity must compensate with a better return than debt. Therefore, when return on equity is at 12 percent, debt at 14 percent must be above the market rate.²⁶⁴ An interest rate of 14 percent is significantly above the market rate.²⁶⁵

18. The market price of an entity that has not taken its debt to market is discernible as a hypothetical by comparing the observable market debt of a similarly situated entity—a proxy.²⁶⁶

19. Services like S&P or Moody's grade the quality of investments.²⁶⁷ The cost of debt for an investment rate utility company is about 4.0%.²⁶⁸ A small distressed utility

²⁶² EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 491 line 11, through line 16.

²⁶³ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 5 line 4, through line 8.

²⁶⁴ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 19 line 5 through line 20; and EFIS No. 93 (December 5, 2017) *Transcript-Volume 6 (Evidentiary Hearing 11-30-17)* page 563 line 3, through page 564 line 4.

²⁶⁵ EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11-30-17)* page 552 line 19, through line 23.

²⁶⁶ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 5 line 4, through line 8.

²⁶⁷ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 20, through line 21.

²⁶⁸ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 5 line 2, through line 4.

like Indian Hills does not have a rating from S&P and Moody's²⁶⁹ but distressed utilities generally do, and the rating is "below investment grade" for distressed utilities.²⁷⁰ Therefore, the debt issuances of a below investment grade utility reflect the cost of debt for a distressed utility.²⁷¹

20. In the last few years,²⁷² only one below investment grade utility issued bonds.²⁷³ That utility issued bonds at 6.41 percent to 7.25 percent with a median of 6.75 percent.²⁷⁴ Applying an indexed bond yield to the actual proxy rates of 6.41 percent to 7.25 percent also results in 6.75 percent.²⁷⁵ That shows that a lower rate is available with an independent lender, and that the market rate for a utility comparable to Indian Hills, in arm's length dealing, is 6.75 percent.²⁷⁶

Discussion

Indian Hills and Staff ask the Commission to order that the compliance tariffs set rates and charges to include amounts to service the loan. OPC alleges that the loan's

²⁶⁹ EFIS No. 107 (December 7, 2017) *Exhibit No. 14 - Rebuttal Testimony of Michael E. Thaman, Sr.* page 3 line 20, through line 23.

²⁷⁰ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 22, through page 5 line 2.

²⁷¹ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 22, through page 5 line 2.

²⁷² EFIS No. 172 (December 11, 2017) *Exhibit No. 216 - Surrebuttal Testimony of Michael P. Gorman* page 10, through line 13.

²⁷³ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 13, through line 21.

²⁷⁴ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 15, through line 20; Schedule MPG-3.

²⁷⁵ EFIS No. 172 (December 11, 2017) *Exhibit No. 216 - Surrebuttal Testimony of Michael P. Gorman* page 12, through line 20.

²⁷⁶ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 4 line 13, through page 5 line 8.

provisions are unjust and unreasonable as to the customers. OPC asks that the Commission order the tariffs to collect only those amounts that loan would require if Indian Hills procured the loan through an arm's length transaction in the marketplace.

The weight of the evidence favors OPC. OPC has shown that the loan's provisions include costs far above what Indian Hills must pay. The loan does not resemble an arm's-length transaction because the Glarners are behind each end of the transaction. The Commission understands the legal status of business organizations as legal persons. The Commission cannot ignore financial reality.

A loan constitutes a circuit that conducts money. The money starts with the lender, passes through the borrower's business for profit, and returns with interest to the lender. Lenders and borrowers may lend to and borrow from whomever they choose, on whatever terms they choose, as the law allows. However, the loan before the Commission is different from other lending transactions, even for a wholly-owned subsidiary, which must borrow money from whomever and under whatever provisions its owner says.

The difference with the Indian Hills loan is that Indian Hills' business for profit is a State-granted monopoly. The Commission has exclusively certified Indian Hills to provide water to captive customers.²⁷⁷ Those customers cannot, as ordinary retail customers do, go to elsewhere to serve their residences with water. Those facts bring

²⁷⁷ File No. WO-2016-0045, EFIS No. 14 (February 3, 2016) *Order Approving Transfer of Assets and Issuance of Certificate of Convenience and Necessity Commission* page 6, paragraph 1. ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

the loan within one of the Commission's primary functions—to substitute reasonable regulation for the missing marketplace.²⁷⁸

The marketplace does not produce 14 percent interest and a 20-year pre-payment penalty—or even a ten-year pre-payment penalty—so far as the record shows. Therefore, the Commission must determine a marketplace interest rate for the loan based on the record.

Indian Hills relies heavily on the absence of any source of lower interest. But OPC has shown that a below-investment grade utility may issue debt for 6.75 percent. Indian Hills criticizes that analysis for dissimilarities between Indian Hills and OPC's proxy, mainly based on scale. That argument might have some resonance if Indian Hills' proxies did not include large utilities²⁷⁹ among which are the largest utilities in Missouri.²⁸⁰ And while Indian Hills' approach to equity considers the size of a public utility, Indian Hills has not shown that greater scale in operations results in fewer challenges to a distressed utility's operation or a greater ability to attract debt at lower rates.

Indian Hills' Exhibit 15 discusses²⁸¹ the other small water companies listed in Schedule GRM-SUR-2.²⁸² Schedule GRM-SUR-2 comes from the small public utility

²⁷⁸ EFIS No. 93 (December 5, 2017) *Transcript - Volume 6 (Evidentiary Hearing 11 - 30 - 17)* page 558 line 2, through 18.

²⁷⁹ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. W. D'Ascendis* Schedule DWD-3, page 1 of 9, and Schedule DWD-4 page 2 of 12;

²⁸⁰ EFIS No. 95 (December 7, 2017) *Exhibit No. 2 - Rebuttal Testimony of Josiah Cox (Public & Confidential)* page 17 line 1, through line 12. EFIS No. 104 (December 7, 2017) *Exhibit No. 11 - Rebuttal Testimony of Dylan W. D'Ascendis* page 9 line 1, through line 8. EFIS No. 105 (December 7, 2017) *Exhibit No. 12 - Surrebuttal Testimony of Dylan W. D'Ascendis* page 4 line 5, through line 12.

²⁸¹ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 472 line 15, through line 25.

rate case filed by another Glarners' entity.²⁸³ Schedule GRM-SUR-2 showed that such sources were available to 24 other small water companies in Missouri. No party challenges the accuracy of any cost of debt set forth in Schedule GRM-SUR-2. The average of those costs of debt, excluding Hillcrest, is 5.16 percent. That cost of debt is close to Staff's original recommendation.²⁸⁴ Instead, Indian Hills seeks to distinguish itself from the small water companies listed in Schedule GRM-SUR-2.

But Indian Hills' distinguishing evidence is second-hand,²⁸⁵ so Exhibit 15 inevitably carries the vagaries of second-hand evidence.²⁸⁶ The absent declarants were not subject to cross-examination by the parties or the Commission, so the accuracy of the declarants' perceptions and representations is untested. Even conceding 100 percent candor and accuracy to Indian Hills' witness on this point does not increase the weight of Indian Hills' evidence on this point to match the plain content of Schedule GRM-SUR-2. Indian Hills has never challenged the accuracy of Schedule GRM-SUR2.

Even if the Commission gave full weight to Indian Hills' evidence on this point, the Commission would remain unconvinced.

²⁸² EFIS No. 139 (December 7, 2017) *Exhibit No. 211 - Surrebuttal Testimony of Greg R. Meyer (Public)* page 6 line 16, through page 7 line 6; Schedule GRM-SUR-2. EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 487 line 18 through 20.

²⁸³ File No. SR-2016-0202, EFIS No. 30, (October 13, 2016) *Rebuttal Testimony of Charles R. Hyneman* Schedule CRH R-1; page 12 line 17, through line 24. ***In the Matter of the Application of a Rate Increase for Raccoon Creek Utility Operating Company Inc.***

²⁸⁴ EFIS No. 90 (December 5, 2017) *Transcript - Volume 3 (Evidentiary Hearing 11-27-17)* page 181 line 14, through line 18.

²⁸⁵ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 469 line 3, through line 4; page 470 line 17, through line 20; page 473, line 3, through line 7.

²⁸⁶ OPC objected to Exhibit 15, summarizing Indian Hills' evidence on this point. The Commission overruled that objection under Section 536.070(11), which provides that "All the circumstances relating to the making of such . . . survey . . . may be shown to affect the weight of such evidence but such showing shall not affect its admissibility [.]" EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11-28-17)* page 477 line 5, through page 478 line 10.

Indian Hills argues that the lower interest rates of other small utilities are due to undesirable characteristics that Indian Hills does not have. For example, Indian Hills argues that some of the small utilities still have environmental issues that make their business risky. That logic does not aid Indian Hills because Indian Hills has, commendably, remedied its environmental violations. Indian Hills' improved condition should, under Indian Hills' logic, make lower interest available to Indian Hills.

Indian Hills also argues that some of the small utilities have additional collateral securing the loans—personal assets of the owners. That argument also works against Indian Hills because whether to offer such additional security is the investors' choice, and the customers need not pay the extra interest occasioned by that choice.

Indian Hills argues that Staff determined that the system had a net book value of only \$43,966 at the time of the acquisition case.²⁸⁷ The acquisition case contains no Commission determination of the system's net book value, and the parties to the sale of Indian Hills' purchase valued the system at substantially more.²⁸⁸ Moreover, Indian Hills does not show that its net book value distinguishes its cost of debt from the other small utilities.

Indian Hills also cites **Hillcrest Rate Case**, in which the Commission approved a 14% interest rate.²⁸⁹ The Commission prefers to be consistent in its analysis and follow

²⁸⁷ EFIS No. 95 (December 7, 2017) *Exhibit No. 2 - Rebuttal Testimony of Josiah Cox (Public & Confidential)* page 4 line 21, through line 22.

²⁸⁸ File No. WO-2016-0045, EFIS No. 1, *Application and, If Necessary, Motion for Waiver Appendix E (Highly Confidential)*, ***In the Matter of the Application of Indian Hills Utility Operating Company, Inc. to Acquire Certain Water Assets of I. H. Utilities, Inc. and, in Connection Therewith, Issue Indebtedness and Encumber Assets.***

²⁸⁹ ***Hillcrest Rate Case*** seems to be the strongest basis for Staff's lukewarm endorsement of 14 percent interest. EFIS No. 90 (December 5, 2017) *Transcript-Volume 3 (Evidentiary Hearing 11-27-17)* page 177 line 19, through line 24; page 181 line 2, through line 10. Indeed, Staff initially recommended five percent

its earlier decisions but will depart from earlier decisions when there is good reason. Here, there is good reason. **Hillcrest Rate Case** was the first rate case for of the Glarner entities. With a growing number of systems, and more experience in operations and regulatory practice, market prices for credit should follow. In this case, the record convinces the Commission that the interest rate and pre-payment penalty exceed what the marketplace offers, that the excess constitutes a benefit to the Glarners only, and not the ratepayers, and it would be unreasonable to pass forward these costs to ratepayers.

The premise underlying all Indian Hills' arguments about the loan is that it tried to get better financing but none was available. Indian Hills and Staff defy OPC to find a lender at market rates but that argument reverses the burden of proof; OPC has no duty to find Indian Hills a lender. Indian Hills has the burden of proof to show that its rate increase supports just and reasonable rates.²⁹⁰ The documentation of Indian Hills' search for debt is scant and, in some cases, irrelevant.²⁹¹ The Commission finds it unconvincing.

Moreover, even if other Glarners' entities were Indian Hills' only possible source of capital, that limitation would not necessitate the loan's provisions. The Glarners' entities have routinely transferred equity among one another.²⁹² The loan's high interest

interest. EFIS No. 174 (December 11, 2017) *Exhibit No. 245 - Recommended Rate of Return for Indian Hills Utility Operating Company, Inc. as of March 31, 2017*. The staff member making that recommendation participated no further in the case. EFIS No. 90 (December 5, 2017) *Transcript-Volume 3 (Evidentiary Hearing 11-27-17)* page 176 line 23, through page 177 line 10.

²⁹⁰ Section 393.150.2.

²⁹¹ EFIS No. 137 (December 7, 2017) *Exhibit No. 209 - Direct Testimony of Greg R. Meyer* page 10 line 13, through page 12 line 14.

²⁹² EFIS No. 137 (December 7, 2017) *Exhibit No. 209 - Direct Testimony of Greg R. Meyer* page 5 line 1, through page 10 line 12.

rate and pre-payment penalty give the Glarners an advantage, even over Josiah Cox, because debt has priority over equity. No corresponding advantage to the customers is apparent.

Finally, the Commission conditioned Indian Hills' financing in the acquisition case on using those funds solely to buy and improve the system, but Indian Hills violated that directive by commingling those moneys with other Glarner entities.²⁹³ And Indian Hills has not been forthcoming as to the relationships among the Glarners' entities. That strongly suggests to the Commission that the Glarners never intended Indian Hills to pay interest to anyone but themselves, and did not intend to pay themselves at a market rate.

The Commission will order that the compliance tariffs shall include an amount in Indian Hills' rates and charges for cost of debt as sought by OPC.

OPC also asks that the Commission order that the compliance tariffs include no amount for the pre-payment penalty in Indian Hills' rates and charges. Under that penalty provision, refinancing the debt at a lower rate would perversely burden customers even more, because they would pay the refinanced interest rate and every penny of the 14 percent interest rate that was due over 20 years, even if Indian Hills uses that money for merely a couple of years.

The *Non-Unanimous Stipulation and Agreement* provides that, if the Commission orders the compliance tariffs to include an amount for cost of debt at 14 percent:

²⁹³ EFIS No. 128 (December 7, 2017) *Exhibit No. 200 - Direct Testimony of Keri Roth* (Confidential) page 13 line 1, through line 4.

. . . the Company agrees to submit a modification of loan agreement to reduce the prepayment penalty term from 20 years to 10 years.²⁹⁴

Indian Hills argues that such a modification can only happen under Indian Hills' consent.

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That may be true. Borrowers and lenders may make whatever provisions on penalties, interest rates, and other provisions that they find suitable for themselves, as the law provides. But how the Glarners' entities relate to one another is not before the Commission.

Before the Commission is the content of tariffs that will support safe and adequate service at just and reasonable rates. The Commission makes that determination on a preponderance of the evidence on the record. The record does not show that a 20-year, or even a 10-year, pre-payment penalty supports safe and adequate service at just and reasonable rates.

Because Indian Hills has not carried its burden of showing the amount of any pre-payment penalty that supports safe and adequate service at just and reasonable rates, the Commission will order that the tariffs shall include in rates and charges no amount for a pre-payment penalty.

Therefore, on the issue of cost of debt, the Commission will order the filing of compliance tariffs according to the OPC position statement.

²⁹⁴ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement* page 6.

²⁹⁵ That provision unmistakably resembles the last-minute concession of a party to negotiations who, as the time for bargaining runs out, senses that it has over-reached.

iii. *Return on Equity.*

| Staff's Initial Recommendation ²⁹⁶ | OPC ²⁹⁷ | Commission | Staff/Indian Hills Position Statement ²⁹⁸ | Indian Hills ²⁹⁹ |
|---|--------------------|------------|--|-----------------------------|
| 9.34% | 9.34% | 12% | 12% | 15.20% |

The issues list and the prevailing position statement use the following language.

c. *What return on common equity should be used for determining rate of return?*

- *[R]eturn on equity (ROE) of 12%.*

Findings of Fact

1. Unlike debt, the return that investors demand for equity is not subject to direct observation.³⁰⁰ Financial analysis calculates return on equity by applying financial models to proxy groups of companies that have common equity costs based in the market.³⁰¹ No proxy group can be identical in risk to any single company, so adjustments may be appropriate.³⁰²

2. Cost of equity models (“models”) include³⁰³ the:

²⁹⁶ EFIS No. 112 (December 7, 2017) *Exhibit No. 100 - Direct Testimony of Natelle Dietrich* page 4 line 3, through line 10.

²⁹⁷ EFIS No. 169 (December 11, 2017) *Exhibit No. 213 - Direct Testimony of Michael P. Gorman* page 5 line 9, through line 11; EFIS No. 14 *Partial Disposition Agreement and Request for Evidentiary Hearing* Appendix 1, Attachment A second paragraph.

²⁹⁸ EFIS No. 87 (November 22, 2017) *Non-Unanimous Stipulation and Agreement* page 5 paragraph 5.

²⁹⁹ EFIS No. 91 (December 5, 2017) *Transcript - Volume 4 (Evidentiary Hearing 11 - 28 - 17)* page 400 line 10, through line 20.

³⁰⁰ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 19 line 12, through line 13.

³⁰¹ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 6 line 11, through line 17.

³⁰² EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 6 line 17, through line 20.

³⁰³ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 7)

- a. Discounted Cash Flow (“DCF”) model, single-stage constant growth version. That model assumes that an investor buys a stock for an expected total return rate, which is derived from cash flows received in the form of dividends plus appreciation in market price, and determines the present value of an expected future stream of net cash flows by discounting those cash flows at the cost of capital.³⁰⁴
- b. Risk Premium Model (“RPM”). Risk Premium considers that debt is less risky than equity, so stock issuers must offer a premium to attract investors over bonds. Generally, the risk premium is the difference between cost of debt and return on equity.³⁰⁵
- c. Capital Asset Pricing Model (“CAPM”). CAPM focuses on the degree of risk that distinguishes one investment from the market as a whole. CAPM multiplies risk in the market as a whole times the instability of an investment relative to the market as a whole, and adds the risk-free return rate to determine RoE.³⁰⁶

3. Indian Hills used two proxy groups: a group of eight regulated water utilities and a group of non-regulated companies of comparable risk.³⁰⁷ Applying the models to

³⁰⁴ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D’Ascendis* page 16 line 11, through line 21.

³⁰⁵ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D’Ascendis* page 19 line 14, through line 20.

³⁰⁶ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D’Ascendis* page 30 line 12, through line 20.

³⁰⁷ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D’Ascendis* page 7 line, through line 8.

Indian Hills' proxy groups yields a return on equity at 10.35 percent before any adjustments ("Indicated Common Equity Cost Rate before Adjustment").³⁰⁸

4. No financial risk adjustment is necessary to account for instability because the Commission is ordering a 50/50 capital structure for Indian Hills.³⁰⁹

5. An adjustment between 1.34 percent and 3.94 percent³¹⁰ for the system's extremely small size is reasonable.³¹¹

Discussion

Indian Hills' 12 percent cost of equity is the approximate half way point between the positions of OPC and Indian Hills, but splitting the difference is not the grounds for the Commission's ruling. The Commission is grounding its ruling on the method described in the testimony of Indian Hills' witness for return on equity, Dylan W. D'Ascendis.

Mr. D'Ascendis described how he used the characteristics of the proxy group. First, he examined the market-based equity costs of that group. Second he made adjustments for Indian Hills' unique risks relative to that proxy group. The Commission will apply that method as follows.

³⁰⁸ EFIS No. 103 (December 7, 2017) *Exhibit No. 10 - Direct Testimony of Dylan W. D'Ascendis* page 38 line 3, through line 17.

³⁰⁹ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 402 line 6, through line 9.

³¹⁰ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 402 line 12, through line 19. This is the testimony of Dylan W. D'Ascendis. Indian Hills' witness for return on equity.

³¹¹ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 402 line 12, through line 19. This is the testimony of Dylan W. D'Ascendis. Indian Hills' witness for return on equity.

The Commission has already compensated for the significant investment to remedy environmental non-compliance with a hypothetical capital structure of 50/50. That capital structure reduces risk and stabilizes a public utility's finances more than a 65/35 capital structure, which Indian Hills and Staff seeks; and even further below 77.12/22.88, which is the capital structure that Indian Hills claims to have.

The Commission concludes that a 12% return on equity represents what the market would pay for equity in Indian Hills. An adjustment of 1.65 percent for the risk represented by the system's extremely small size is reasonable. Adding that adjustment to the Indicated Common Equity Cost Rate before Adjustment of 10.35 percent results in a 12% return on equity.

Therefore, on the issue of return on equity, the Commission will order the filing of compliance tariffs according to the Staff/Indian Hills position statement.

C. Rate Design

The Commission is ordering that the compliance tariffs shall set forth a rate design, with a base charge and a seasonal volumetric rate, as described in Staff's primary scenario.³¹² The issues list and the prevailing position statement use the following language.

- a. How should rates be developed based on the cost of service approved in this case?*
- b. Should a seasonal rate design be adopted in this case, and if so, what should be the structure of the seasonal and non-seasonal rates?*

³¹² EFIS No. 179 (January 16, 2018) *Staff's Rate Design Scenarios*.

| Base Charge | Volumetric rate (per 1,000 gallons) | |
|-------------|-------------------------------------|--------------------|
| \$50.90 | \$14.05 | April -- September |
| | \$9.37 | October – March |

Since the Commission has ordered a revenue requirement less than Indian Hills sought, the Commission is also ordering that Customer bills shall reflect the difference between the revenue requirement that Indian Hills sought and the revenue requirement that the Commission is ordering. The compliance tariffs shall proportionally reduce each of the seasonal volumetric rates set forth in Staff’s primary scenario.

Findings of Fact

1. Generally, usage data helps to determine the costs that each type of customer is placing on the system and develop rates accordingly,³¹³ but current usage data for Indian Hills is limited.³¹⁴ Nevertheless other information about water systems in general and Indian Hills’ system in particular, assists in designing rate structure.

2. Any water system must be ready to meet peak demand with sufficient infrastructure all year,³¹⁵ even though the peak demand does not last all year.³¹⁶

³¹³ EFIS No. 119 (December 7, 2017) *Exhibit No. 107 - Rebuttal Testimony of Curtis B. Gateley* page 6 line 14, through line 18.

³¹⁴ EFIS No. 119 (December 7, 2017) *Exhibit No. 107 - Rebuttal Testimony of Curtis B. Gateley* page 6 line 14, through line 18.

³¹⁵ EFIS No. 119 (December 7, 2017) *Exhibit No. 107 - Rebuttal Testimony of Curtis B. Gateley* page 2 line 14, through line 15

³¹⁶ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 4 line 16, through line 19.

Assumed principles underlying rate design also include assigning costs proportionally to the customers whose demands cause the costs.³¹⁷

3. Ways in which a water company may bill its customers for water service include the following:

a. A base charge is a flat amount that applies to each customer just for being a customer, because some expenses are necessary to run the system without regard to how much water a customer uses.³¹⁸

b. A volumetric rate, sometimes called a usage rate or a commodity rate, is an amount per gallon of water that passes through a customer's meter.³¹⁹

4. A volumetric rate too high could cause customers to modify their behavior to an extreme degree to avoid using water.³²⁰ If customers do not use enough water, Indian Hills will not have enough revenue to provide safe and adequate service.³²¹

5. Use of the system varies by season because only half of Indian Hills' customers are full-time residents, who reside in Indian Hills' service territory all year.³²²

³¹⁷ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 4 line 19, through page 5 line 3.

³¹⁸ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 512 line 9, through line 14.

³¹⁹ EFIS No. 94 (December 7, 2017) *Exhibit No. 1 - Direct Testimony of Josiah Cox (Public & Confidential)* page 22 Line 1, through line 2.

³²⁰ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 509 line 16, through line 21.

³²¹ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 515 line 22, through page 516 line 4.

³²² EFIS No. 119 (December 7, 2017) *Exhibit No. 107 - Rebuttal Testimony of Curtis B. Gateley* page 3 line 15, through line 17.

The other half of Indian Hills' customers are part-time residents,³²³ who have another home elsewhere,³²⁴ and are more likely to be present in Indian Hills' service territory from April through September.³²⁵

6. April through September correspond approximately to Missouri lake recreation season used by MDNR in the context of Water Quality.³²⁶ During the lake recreation season, customers are all or almost all present, and the system is at its peak demand.³²⁷ In other words, the occasional presence of part-time residents and full-time residents determines peak demand, which determines the necessary capacity of the system.³²⁸

7. Therefore, a seasonally adjusted volumetric rate, shifting cost recovery towards the lake recreation season, spreads costs among more customers including those whose seasonal presence drives the peak that the system must meet.³²⁹

Discussion

In response to the Commission's post-hearing order, Staff filed rate design scenarios showing various configurations of amounts that Indian Hills could collect to

³²³ EFIS No. 119 (December 7, 2017) *Exhibit No. 107 - Rebuttal Testimony of Curtis B. Gateley* page 3 line 15, through line 17.

³²⁴ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 523 line 1, through line 11.

³²⁵ EFIS No. 113 (December 7, 2017) *Exhibit No. 101 - Direct Testimony of Curtis B. Gateley* page 11, through line 14.

³²⁶ MDNR regulation 10 CSR 20-7.031, Table A. EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 5 line 4, through line 9.

³²⁷ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 4 line 7, though line 10.

³²⁸ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 4 line 7, though line 10.

³²⁹ EFIS No. 96 (December 7, 2017) *Exhibit No. 3 - Surrebuttal Testimony of Josiah Cox* page 14 line 13, through page 5 line 3.

meet its revenue requirement. Neither Indian Hills nor OPC opposed any of those scenarios or provided alternatives. The Commission concludes that Staff's primary scenario represents the configuration that best balances Indian Hills' need for revenue with the customers' need for rates that are not oppressive.

The system must be able to provide service during peak usage times, so a rate design with a higher volumetric rate during the peak usage season will more efficiently pass costs to customers based on system use if properly implemented. This type of rate design, in conjunction with a standard monthly base charge, if properly implemented, will provide that users of the system, whether they are full time residents or second home owners, are bearing their share of Indian Hills' costs. Staff's primary scenario accomplishes this by shifting costs cautiously toward the months of April through September when the part-time residents are more likely using the system, and available to bear the costs of service, without jeopardizing Indian Hills' ability to collect revenue.

By contrast, OPC proposed a higher winter volumetric rate³³⁰ that would cause customers to use less water,³³¹ and threatens Indian Hills' ability to provide safe and adequate service.³³² OPC argues that its lesser customer charge or disconnection fees will stop customers from doing so, and argues that Indian Hills should give customers notice when seasonal rates change. No evidence shows that either measure would be effective.

³³⁰ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 509 line 22, though page 510 line 2.

³³¹ EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 509 line 8, through line 21.

³³² EFIS No. 91 (December 5, 2017) *Transcript-Volume 4 (Evidentiary Hearing 11-28-17)* page 515 line 22, through page 516 line 4.

Staff designed its primary scenario on the revenue requirement for which Staff argued as the Commission instructed. However, the Commission is ordering a revenue requirement less than that. Therefore, the compliance tariffs must collect a lesser amount than contemplated in Staff's primary scenario. The Commission will order that the difference shall appear in lesser volumetric charges for each season than set forth in Staff's primary scenario, so that water itself will be less costly.

Therefore, on the issue of rate design, the Commission will order the filing of compliance tariffs according to Staff's primary scenario with an adjustment to the volumetric rate as described.

IV. Orders

The Commission will order the filing of compliance tariffs pursuant to the determinations made in this report and order. The Commission will also order the filing of the reconciliation required by Section 386.420.4.

THE COMMISSION ORDERS THAT:

1. No later than February 14, 2018, Indian Hills Utility Operating Company, Inc. shall file the reconciliation as described in the body of this order.
2. No later than February 14, 2018, Indian Hills Utility Operating Company, Inc. shall file compliance tariffs as described in the body of this order.

3. This report and order shall be effective on February 17, 2018.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Kenney, Rupp, Coleman,
and Silvey, CC., concur;
and certify compliance with
Section 536.080, RSMo 2016.

Dated at Jefferson City, Missouri,
on this 7th day of February, 2018.

Appendix: Appearances

For:

Indian Hills Utility Operating Company, Inc.:
Dean L. Cooper, Attorney at Law
Brydon, Swearingen & England, P.C.
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102-0456

Staff of the Missouri Public Service Commission:
Kevin A. Thompson, Chief Staff Counsel
Nicole Mers, Assistant Staff Counsel
Jacob T. Westen, Deputy Staff Counsel
Missouri Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, Missouri 65102

Office of the Public Counsel:
Ryan Smith, Senior Public Counsel
Curtis Schube, Deputy Public Counsel
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, Missouri 65102-02230

Daniel Jordan, Senior Regulatory Law Judge.

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held by telephone/internet audio conference on the 8th day of April, 2020.

In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **File No. WR-2020-0053**
Water Rate Increase)

**ORDER APPROVING UNANIMOUS DISPOSITION AGREEMENT AND
SMALL COMPANY RATE INCREASE WITH ACCOMPANYING TARIFFS**

Issue Date: April 8, 2020

Effective Date: July 1, 2020

Procedural history

On August 29, 2019, Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers) filed notices opening two staff assisted rate cases under Commission Rule 20 CSR 4240-10.075.¹ The cases asked for both a rate increase and a rate consolidation for 9 water systems and 9 sewer systems.² Confluence Rivers sought an increase of \$368,360 in its total annual water service operating revenues and a \$527,721 increase in sewer operating revenues. Confluence Rivers serves approximately 542 water customers and 627 sewer customers.

¹ SR-2020-0054 was consolidated into this case on October 15, 2019.

² The systems to be combined include: the Willows Service Area, water and sewer; Gladlo Service Area, water and sewer; Eugene Service Area, water only; Smithview Service Area, water only; ROY-L Service Area, water and sewer; Mill Creek Service Area, sewer only; Majestic Lakes Service Area, water and sewer; Auburn Lake Service Area, water and sewer; Calvey Brook Service Area, water and sewer; Lake Virginia Service Area, sewer only; Villa Ridge Service Area, sewer only; Evergreen Lake Service Area, water only;

The Commission held three local public hearings and heard from a total of 18 witnesses.³ Eighty-six public comments were filed, apart from those received during the local public hearings.

On February 10, 2020, the parties filed a *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (Disposition Agreement)*.⁴ The *Disposition Agreement* purports to resolve all issues in this matter, agrees to annual revenue increases for all systems, and combines the multiple systems' water rates and sewer rates into single rates. Different from past small company staff assisted rate cases, information regarding the rate increases and consolidations is contained solely in the *Disposition Agreement* and its supplemental filings.

Commission rules allow parties five days to respond to small company rate case disposition agreements. Five days have elapsed and no party has objected or otherwise responded to the filing of the *Disposition Agreement*.

On March 18, 2020, the Commission, on its own motion, held an on-the-record presentation for the parties to submit a presentation on the *Disposition Agreement* and answer further questions from the Commission. The Staff of the Missouri Public Service Commission (Staff) filed corrected billing comparisons and an updated table of rates on March 24, 2020. Staff filed a further correction of billing comparisons on March 30, 2020. No parties objected to the Staff's filed corrections.

Meanwhile, on March 13, 2020, Confluence Rivers filed new water and sewer tariffs, YW-2020-0155 and YS-2020-0156, respectively. Those tariffs each bear an

³ Hearings were held in Eureka and O'Fallon, Missouri, on November 4, 2019, and Jefferson City on November 5.

⁴ Signatory parties to the *Disposition Agreement* include: Confluence Rivers; the Staff; and the Public Counsel.

effective date of April 12, 2020. On March 24, 2020, Staff filed its recommendation to approve the tariffs, finding that they comply with the terms of the *Disposition Agreement*.

Commission rules allow parties ten days to respond to pleadings unless otherwise ordered. Ten days have elapsed and no party has objected or otherwise responded to the filing of the tariffs.

Parties were ordered to respond in a shorter time to the Staff's recommendation. No responses or objections were received to the Staff's recommendation to approve the tariffs filed in compliance with the *Disposition Agreement*.

On March 30, 2020, the Commission directed the parties to respond to a proposal to delay the effective date of the tariffs due to the COVID-19 pandemic and its related economic disruptions. Confluence Rivers responded affirmatively that they would voluntarily delay the effective date of the tariffs to July 1, 2020.

Discussion

In the *Disposition Agreement*, the parties agreed that Confluence Rivers would file compliance tariffs for water service and for sewer service. Both single-rate tariffs were filed March 13, 2020, with effective dates of April 12, 2020.

The *Disposition Agreement* provides for an *increase* to Confluence Rivers' water revenue requirement of \$306,355 (201%). Added to the previous water revenues of \$152,322, this results in overall annual water revenues of \$458,676.

The *Disposition Agreement* also provides for a sewer revenue requirement *increase* of \$345,597 (173%). Added to the previous sewer revenues of \$199,751, this results in overall annual sewer revenues of \$545,349.

The Customer Experience Department conducted a review of Confluence Rivers' procedures and practices used to ensure that its customers' service needs are met. That review resulted in a section of the *Disposition Agreement* requiring Confluence Rivers to

develop and implement a process to ensure all customer complaints received are documented and maintained for at least 2 years.

Within 3 years, Confluence Rivers shall have replaced all nonfunctioning meters in the Smithview subdivision. All customers with a currently nonfunctioning meter will be placed temporarily on a flat, unmetered, rate. Once a customer's meter is replaced, that customer will transition to the metered rate.

The Water and Sewer Department also conducted a review of the water and sewer systems. That review found that most of the system improvements are still under construction, and therefore, the costs of these improvements are not included in this rate case. The deadline for inclusion was November 12, 2019. This was further explained at the March 18, 2020, on-the-record presentation as a basis for dividing the capital improvements between rate cases: 15% for this case, reserving 85% for a future rate case(s).

Water system customers will average a 207% increase to their water service rate, to \$42.20 per month with a commodity charge of \$7.01 per 1,000 gallons. Sewer system customers will average a 179% increase to their sewer rate, to \$72.48 per month. Three of the 9 water systems last adjusted rates in 2011, 2005, and 1995. The three longest standing sewer system rates date from 2014 (2), and 1995.

The Commission's Water and Sewer Department supports a single rate structure for all water and sewer customers among the various systems, based on the unique circumstances of this case.

Staff submitted an updated table of rates comparing projected rates among the systems as stand-alone entities compared to the consolidated basis proposed in the *Disposition Agreement*. In 16 of the 22 rates among the 18 systems, the *consolidated* customer charge is lower than the stand-alone customer charge. Commodity charges

show similar numbers, with 5 of 7 systems have a lower *consolidated* commodity charge versus a stand-alone commodity charge.

The terms of the *Disposition Agreement* reflect compromises between the Staff, the Office of the Public Counsel (Public Counsel) and Confluence Rivers, and no party has agreed to any particular ratemaking principle in arriving at the amount of the specified annual operating revenue increases.

The Commission is tasked with setting just and reasonable rates, which may result in a revenue increase more or less than the increase originally sought by the utility. The Commission has the authority to approve a disposition agreement.

The Commission finds and concludes that the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* is reasonable and should be approved. Furthermore, the unopposed proposed rates are just and reasonable in order to provide safe and adequate service to the ratepayers.

Due to the global pandemic caused by COVID-19, Confluence Rivers has offered to delay the implementation of the rate increases until July 1, 2020. The Commission accepts Confluence Rivers' offer, and will make this order effective July 1, 2020. Confluence Rivers may extend the effective date of its tariffs by filing an appropriate notice in this file. If it has not done so by April 9, 2020, the presiding judge may issue an order by delegation to suspend those tariffs until July 1, 2020.

THE COMMISSION ORDERS THAT:

1. The *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* filed on February 10, 2020, and hereto attached as Attachment 1, is approved.

2. All parties shall comply with the terms of the *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*.

3. Tariff Nos. YS-2020-0156 and YW-2020-0155, submitted on March 13, 2020, are approved. As discussed in the body of this order, the Commission intends the tariffs to go into effect on July 1, 2020. If Confluence Rivers does not submit a notice extending the effective date of the tariffs to July 1, 2020, the regulatory law judge is directed to suspend the tariff until that date.

4. This order shall become effective on July 1, 2020.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Coleman, and
Holsman CC., concur.
Rupp, C., dissents

Hatcher, Regulatory Law Judge

UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL UTILITY COMPANY REVENUE INCREASE REQUEST
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.

MO PSC FILE NO. WR-2020-0053

BACKGROUND

Confluence Rivers Utility Operating Company, Inc. ("Company") initiated the small company revenue increase request ("Request") for water and sewer 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 20 CSR 4240-10.075, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on August 29, 2019, the Company set forth its request for an increase of \$368,360 in its total annual water service operating revenues and \$527,721 increase in sewer 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's recommendations. The Company provides service to approximately 542 water customers and 627 sewer customers.

Pursuant to the provisions of the Staff Assisted Rate Case 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.)

Upon completion of its 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 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, Public Counsel, and the Company hereby state the following agreements:

(1) The agreed upon water revenue requirement increase of 306,355 added to the level of previous revenues of \$152,322 results in overall annual revenues of \$458,676. The agreed upon sewer revenue requirement increase of \$345,597 added to the level of previous revenues of \$199,751 results in overall annual revenues of \$545,349. These revenue requirements are just and reasonable and designed to recover the Company's cost of service;

(2) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment A, 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 B, also attached and incorporated by reference herein;

(3) 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 C. The proposed tariffs will contain a set of consolidated rates, charges, and rules for water customers and for sewer customers. The proposed tariff revisions will bear an effective date of March 12, 2020;

(4) The current PSC MO Numbers 1-11 tariffs will be cancelled and replaced by PSC MO Numbers 12 and 13, which are included in the example tariff described above;

(5) The Company shall not implement a low income program, or any other practice that deviates from the rates and rules in Commission approved tariffs for their facilities, unless such are approved by the Commission in a future tariff modification.

(6) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company shall develop and implement a process to ensure all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall adhere to Commission Rule 20 CSR 4240-13.040 and include the customer name, address, nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint. The Company agrees to provide proof of implementing the recommendation to the Manager of the Commission's CXD Department;

(7) Within ninety (90) days of the effective date of an order approving this Disposition Agreement, the Company shall begin tracking all work conducted on its behalf by CSWR, LLC in the form of a Time Record. This time record will include a description of the job performed, length of time to complete, name/title

of the employee who conducted the work, and tracked by each system. The time record information should be maintained in sufficient detail to capture the amount of time each employee spends on operation and maintenance activities, as opposed to construction activities. The Company also agrees that detailed timesheets will be maintained for any future employees Confluence Rivers Utility Operating Company, Inc. may retain. The Company agrees to provide proof of implementing the recommendations to the Manager of the Commission's Auditing Department;

(8) 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 Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill;

(9) Within three (3) years of the effective date of an order approving this Disposition Agreement, the Company shall have replaced all nonfunctioning meters in the Smithview subdivision. All customers with a nonfunctioning meter will be placed on a flat, unmetered, rate. Once a customer's meter is replaced, that customer will transition to the metered rate.

(10) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

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

(12) The Company, Staff and Public Counsel agree that they have read the foregoing 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 parties; and that the Company freely and voluntarily enters into this Disposition Agreement; and

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

Additional Matters

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between the Staff, Public Counsel and the Company, and no party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

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 to accommodate additional information presented by the

Company in response to Staff Discovery. A copy of the extension agreements can be found in the above-referenced EFIS Case File for the Request.

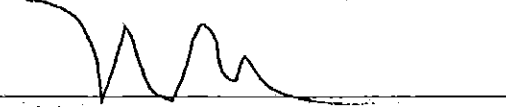
The results of Staff's inspections and review of the Company's operation of its facilities can be found in the Water and Sewer Department Report, Attachment E. Staff has completed a Summary of Case Events and has included that summary as Attachment F to this Unanimous Disposition Agreement.

The Company, Public Counsel and Staff acknowledge that Staff will be filing this Unanimous Disposition Agreement and the attachments hereto, in the existing case and that the Company will file the proposed tariff revisions called for in the agreement. The Company and Public Counsel also acknowledge that Staff may make other filings in this case.

Additionally, the Company and Public Counsel agree that subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff shall have the right to provide an oral explanation to support its entering into this Disposition Agreement, if the Commission requests one 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 and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff will be available to answer Commission questions regarding this Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to be present and/or represented at the meeting.

SIGNATURES

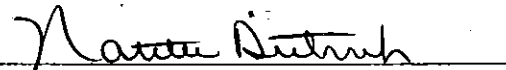
Agreement Signed and Dated:



Josiah Cox
President
Confluence Rivers Utility Operating Company, Inc.

2-10-20

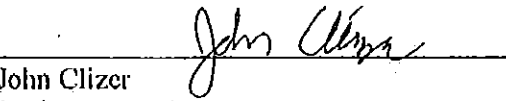
Date



Natelle Dietrich
Industry Analysis Director
Missouri Public Service Commission Staff

2/10/2020

Date



John Clizer
Senior Counsel
Office of the Public Counsel

02/10/2020

Date

List of Attachments

- Attachment A – Rate Design Worksheets
- Attachment B – Billing Comparison Worksheet
- Attachment C – Example Tariffs
- Attachment D – CXD Report
- Attachment E – Water and Sewer Department Report
- Attachment F – Summary of Events

Disposition Agreement Attachment A
Rate Design Worksheets

Confluence Rivers Utility Operating Company, Inc.
WR-2020-0053

Development of Tariffed Rates

| | |
|---|-------------------|
| Revenues Generated by Current Tariffed Rates | \$ 149,010 |
| Agreed-Upon Overall Revenue Increase | \$ 309,666 |
| Percentage Increase Needed | 208% |

| Rates | | | | | |
|---------------------|-------------------------------|--------------------------------|---------------------------|----------------------------|--|
| Meter Type | Current Service Charge | Proposed Service Charge | Current Usage Rate | Proposed Usage Rate | |
| 5/8" Meter | \$ 16.75 | \$ 42.20 | \$ - | \$ 7.01 | |
| 3/4" Meter | \$ - | \$ 46.42 | \$ - | \$ 7.52 | |
| 1" Meter | \$ - | \$ 59.08 | \$ - | \$ 7.52 | |
| 2" Meter | \$ - | \$ 122.39 | \$ - | \$ 7.52 | |
| 4" Meter | \$ - | \$ 590.84 | \$ - | \$ 7.01 | |
| Full-Time Unmetered | \$ 50.16 | \$ 69.63 | \$ - | \$ - | |
| Part-Time Unmetered | \$ 32.99 | \$ 50.64 | \$ - | \$ - | |

| Meter Type | Number | Equivalent Meter Factor | Customer Equivalents | Customer Charge |
|---------------------|---------------|--------------------------------|-----------------------------|------------------------|
| 5/8" Meter | 328 | 1 | 328.0 | \$ 42.20 |
| 3/4" Meter | 0 | 1.1 | 0.0 | \$ 46.42 |
| 1" Meter | 0 | 1.4 | 0.0 | \$ 59.08 |
| 2" Meter | 0 | 2.9 | 0.0 | \$ 122.39 |
| 4" Meter | 1 | 14 | 14.0 | \$ 590.84 |
| Full-Time Unmetered | 199 | 1.65 | 328.4 | \$ 69.63 |
| Part-Time Unmetered | 15 | 1.2 | 18.0 | \$ 50.64 |
| | | | <u>688.4</u> | |

Customer Charge

| | | |
|------------------------------|------------|-----------------|
| Customer Charge Calculation: | \$ 348,605 | \$ 42.20 |
|------------------------------|------------|-----------------|

Commodity Charge

| | | | |
|----------------------------------|------------|-----------------|------------------|
| | | Gallons (1,000) | |
| Residential-Metered Calculation: | \$ 109,779 | 15,669 | \$ 7.0063 |

Confluence Rivers Utility Operating Company, Inc.

WR-2020-0053

Confluence Rivers Utility Operating Company Sewer

Development of Tariffed Rates

| | |
|---|-------------------|
| Revenues Generated by Current Tariffed Rates | \$ 195,719 |
| Agreed-Upon Overall Revenue Increase | \$ 349,630 |
| Percentage Increase Needed | 179% |

Rates

| | |
|---------------------------------------|--|
| Current Service Charge | Proposed Service Charge |
| \$ 26.01 | \$ 72.48 |

| | | | | |
|------------------------|---------------|---------------|--------------------------------|----------|
| Customer Charge | Number | Factor | Customer Equivalent | |
| \$ 26.01 | 627 | 1 | <u>627.0</u> | \$ 72.48 |
| | | | <u>627.0</u> | |

Customer Charge Calculation: \$ 545,349 \$ 72.48

Disposition Agreement Attachment B
Billing Comparison Worksheets

**Confluence Rivers Utility Operating Company, Inc.
WR-2020-0053**

Residential Customer Bill Comparison

| Company | Customer Charge | | Dollar Increase/Decrease | Percent Increase |
|---------------------------|-----------------|---------------|--------------------------|------------------|
| | Current Rate | Proposed Rate | | |
| Auburn Lake Estates | \$ 37.50 | \$ 69.63 | \$ 32.13 | 185.69% |
| Calvey Brook Sewer Inc. | \$ 36.36 | \$ 69.63 | \$ 33.27 | 191.52% |
| Eugene | \$ 26.00 | \$ 42.20 | \$ 16.20 | 162.32% |
| Evergreen Lake | \$ 7.71 | \$ 42.20 | \$ 34.49 | 547.38% |
| Gladlo Water | \$ 17.25 | \$ 42.20 | \$ 24.95 | 244.65% |
| Majestic Lakes | \$ 35.00 | \$ 69.63 | \$ 34.63 | 198.96% |
| Roy-L Part-Time Metered | \$ 29.92 | \$ 42.20 | \$ 12.28 | 141.05% |
| Roy-L Full-Time Metered | \$ 33.24 | \$ 42.20 | \$ 8.96 | 126.96% |
| Roy-L Part-Time Unmetered | \$ 32.99 | \$ 50.64 | \$ 17.65 | 153.51% |
| Roy-L Full-Time Unmetered | \$ 50.16 | \$ 69.63 | \$ 19.47 | 138.83% |
| Smithview | \$ 5.31 | \$ 42.20 | \$ 36.89 | 794.78% |
| The Willows | \$ 5.23 | \$ 42.20 | \$ 36.97 | 806.94% |

| Company | Commodity Charge | | Dollar Increase/Decrease | Percent Increase |
|---------------------------|------------------|---------------|--------------------------|------------------|
| | Current Rate | Proposed Rate | | |
| Auburn Lake Estates | \$ - | \$ - | \$ - | 0.00% |
| Calvey Brook Sewer Inc. | \$ - | \$ - | \$ - | 0.00% |
| Eugene | \$ 6.00 | \$ 7.01 | \$ 1.01 | 16.77% |
| Evergreen Lake | \$ 2.05 | \$ 7.01 | \$ 4.96 | 241.77% |
| Gladlo Water | \$ 2.15 | \$ 7.01 | \$ 4.86 | 225.88% |
| Majestic Lakes | \$ - | \$ - | \$ - | 0.00% |
| Roy-L Part-Time Metered | \$ 3.08 | \$ 7.01 | \$ 3.93 | 127.48% |
| Roy-L Full-Time Metered | \$ 3.08 | \$ 7.01 | \$ 3.93 | 127.48% |
| Roy-L Part-Time Unmetered | \$ - | \$ - | \$ - | 0.00% |
| Roy-L Full-Time Unmetered | \$ - | \$ - | \$ - | 0.00% |
| Smithview ¹ | \$ 3.36 | \$ 7.01 | \$ 3.65 | 108.52% |
| The Willows | \$ 1.21 | \$ 7.01 | \$ 5.80 | 479.03% |

Total Bill (using 2,300 gallons per month)

| Company | Commodity Charge | Customer Charge | Total | Current Total | Dollar Increase/Decrease | Percent Increase |
|---------------------------|------------------|-----------------|----------|---------------|--------------------------|------------------|
| Auburn Lake Estates | \$ - | \$ 69.63 | \$ 69.63 | \$ 37.50 | \$ 32.13 | 85.69% |
| Calvey Brook Sewer Inc. | \$ - | \$ 69.63 | \$ 69.63 | \$ 36.36 | \$ 33.27 | 91.52% |
| Eugene | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 39.80 | \$ 18.52 | 46.53% |
| Evergreen Lake | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 12.43 | \$ 45.89 | 369.36% |
| Gladlo Water | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 22.20 | \$ 36.12 | 162.75% |
| Majestic Lakes | \$ - | \$ 69.63 | \$ 69.63 | \$ 35.00 | \$ 34.63 | 98.96% |
| Roy-L Part-Time Metered | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 37.00 | \$ 21.31 | 57.60% |
| Roy-L Full-Time Metered | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 40.32 | \$ 17.99 | 44.62% |
| Roy-L Part-Time Unmetered | \$ - | \$ 50.64 | \$ 50.64 | \$ 32.99 | \$ 17.65 | 53.51% |
| Roy-L Full-Time Unmetered | \$ - | \$ 69.63 | \$ 69.63 | \$ 50.16 | \$ 19.47 | 38.83% |
| Smithview | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 13.04 | \$ 45.28 | 347.29% |
| The Willows | \$ 16.11 | \$ 42.20 | \$ 58.32 | \$ 8.01 | \$ 50.30 | 627.79% |

¹ Smithview customers with a non functioning meter will be charged a flat-rate. As meters are replaced customers will be billed a commodity rate of \$7.52 per 1,000 gallons.

Confluence Rivers Utility Operating Company, Inc.
WR-2020-0053
Confluence Rivers Utility Operating Company Sewer
Residential Customer Bill Comparison

| Company | Current Rate | Proposed Rate | Dollar Increase/Decrease | Percent Increase |
|-----------------------------|---------------------|----------------------|---------------------------------|-------------------------|
| Auburn Lake Estates | \$ 37.50 | \$ 72.48 | \$ 34.98 | 93.28% |
| Calvey Brook Sewer Inc. | \$ 33.78 | \$ 72.48 | \$ 38.70 | 114.57% |
| Gladlo Sewer | \$ 37.67 | \$ 72.48 | \$ 34.81 | 92.41% |
| Lake Virginia | \$ 13.33 | \$ 72.48 | \$ 59.15 | 443.75% |
| Majestic Lakes | \$ 35.00 | \$ 72.48 | \$ 37.48 | 107.09% |
| Mill Creek Sewer, Inc. | \$ 30.11 | \$ 72.48 | \$ 42.37 | 140.72% |
| Part Time Customers | \$ 32.58 | \$ 72.48 | \$ 39.90 | 122.47% |
| Full Time Customers | \$ 36.04 | \$ 72.48 | \$ 36.44 | 101.11% |
| The Willows Utility Company | \$ 15.00 | \$ 72.48 | \$ 57.48 | 383.21% |
| Villa Ridge | \$ 24.24 | \$ 72.48 | \$ 48.24 | 199.02% |

Disposition Agreement Attachment C

Example Tariff Sheets

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

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(formally Gladlo)

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0207

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

| Rules and Regulations Governing Rendering of Water Service | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| * | Indicates new rate or text | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | Indicates change | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Issue Date: _____
 Month /Day/Year

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ISSUED BY _____
 Name and Title of Issuing Officer

 Mailing Address
 KY2020-00290_BW_0208

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Auburn Lakes Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

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Month /Day/Year

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0209

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Bon-Gor Lake Estates Subdivision Service Area (formally Smithview H2O)



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

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Month /Day/Year

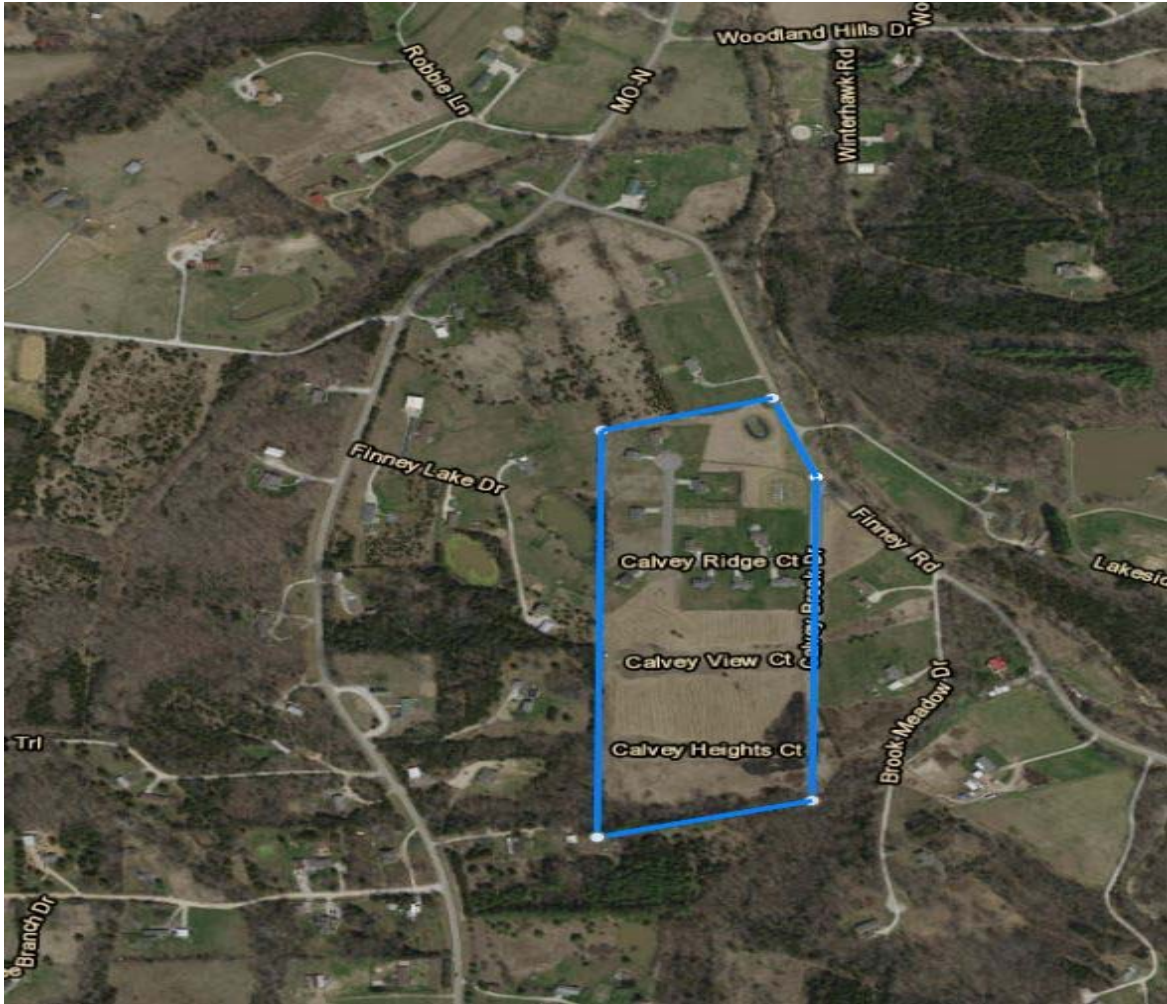
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0210

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Water Service

Map of the Calvey Brook Water Service Area



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Issue Date: _____
Month /Day/Year

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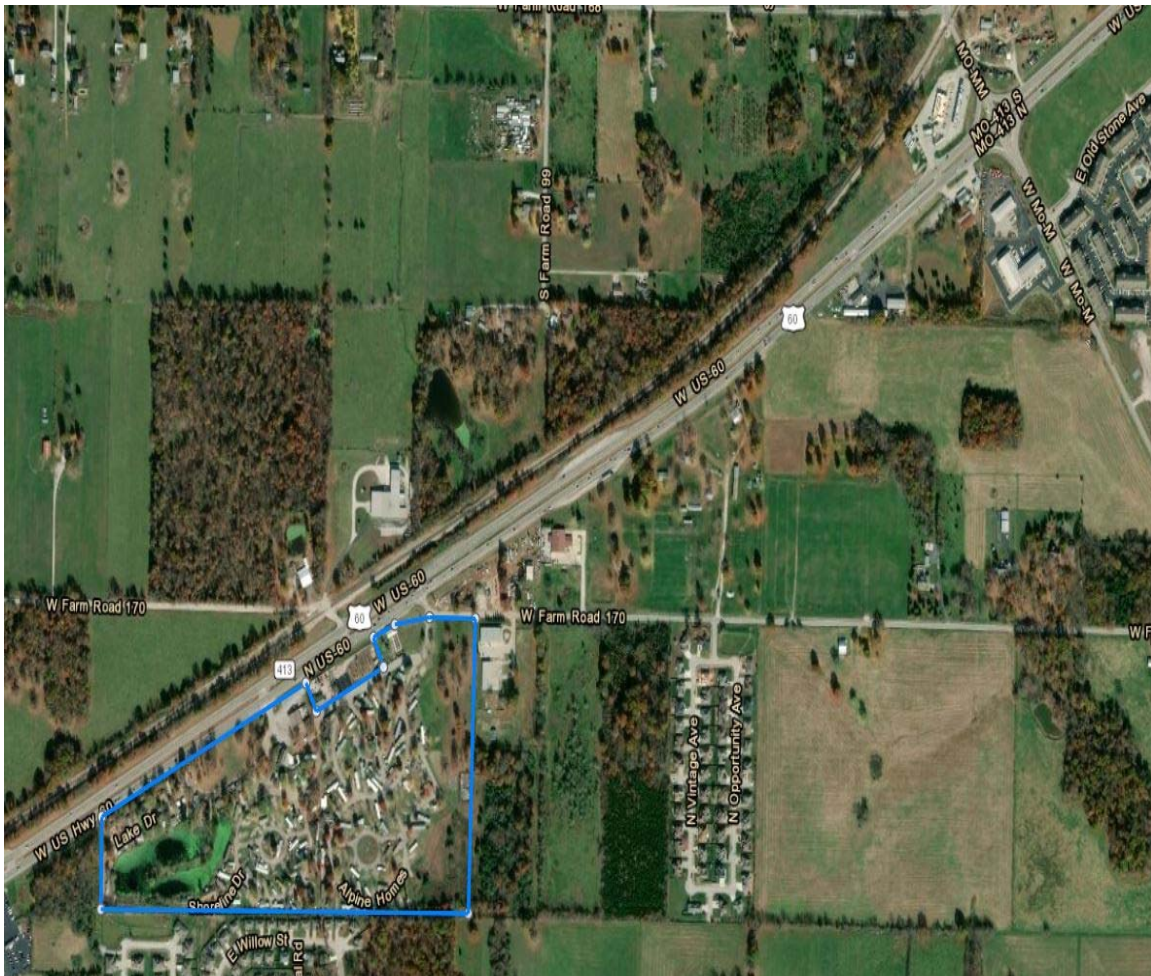
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0211

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Chalet City West Subdivision/Alpine Village Community Service Area
(formally The Willows Utility Company)



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

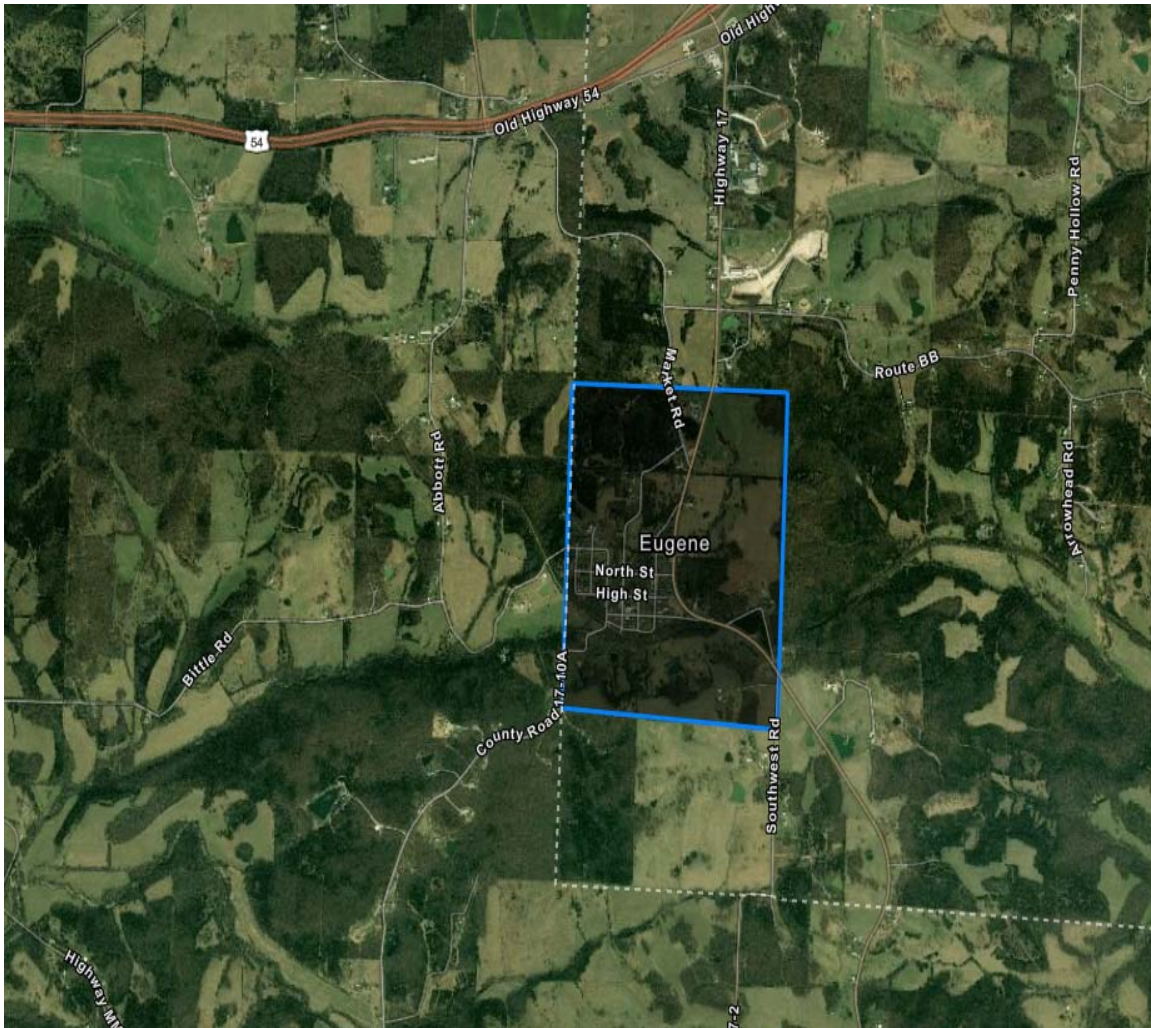
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0212

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the City of Eugene Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

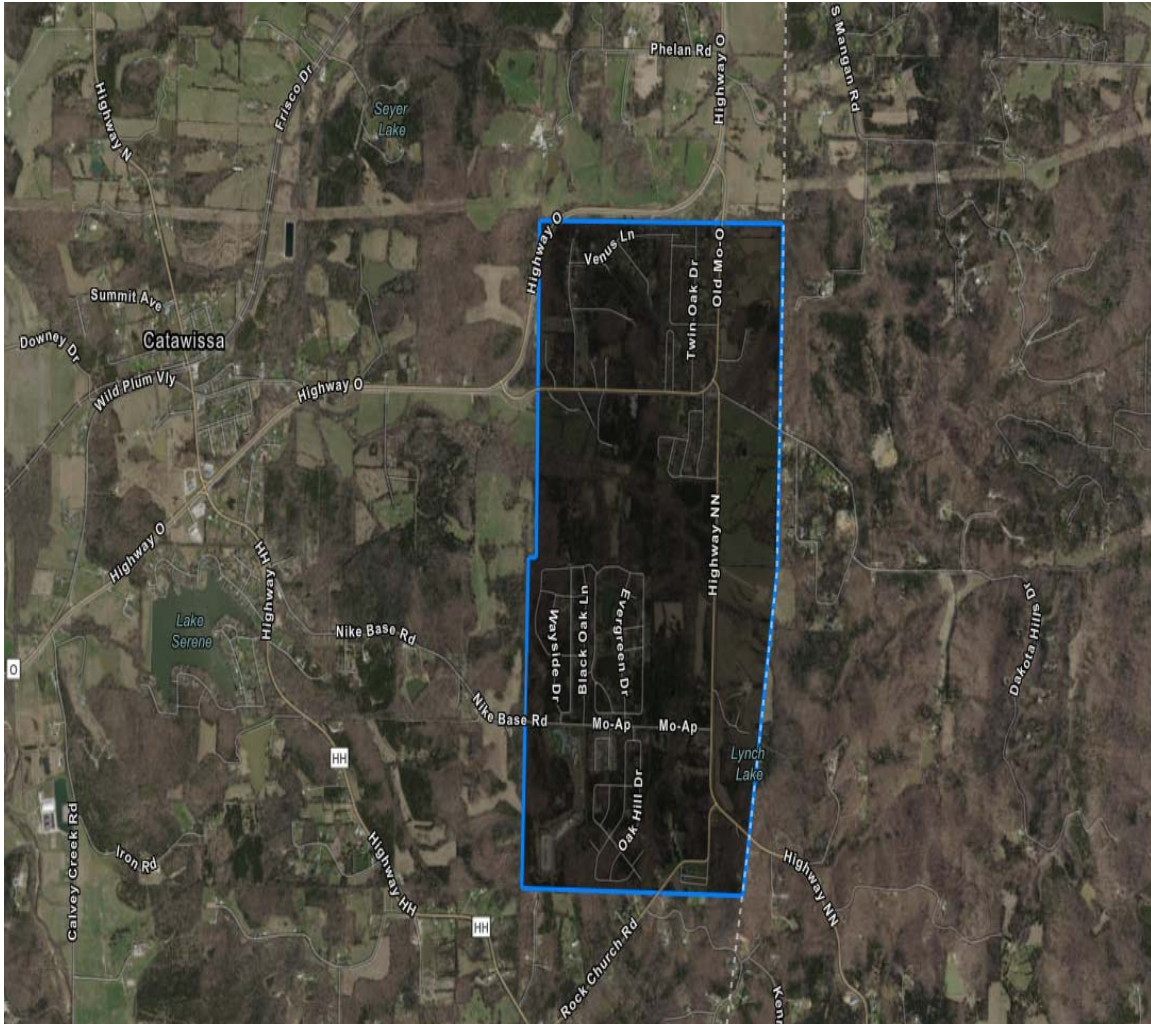
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0213

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Water Service

Map of the Evergreen Lake Subdivision Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

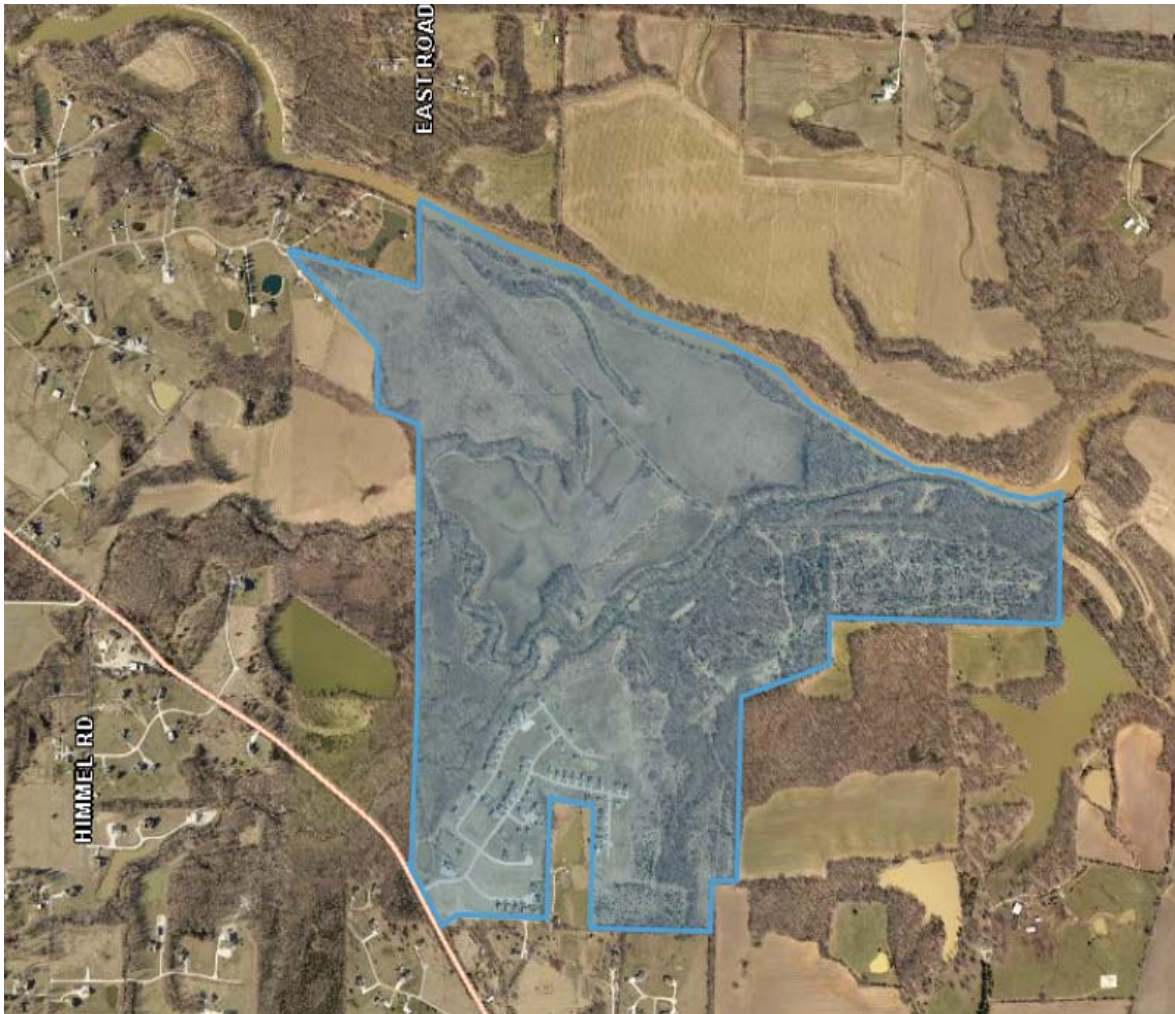
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0214

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Majestic Lakes Service Area



- * Indicates new rate or text
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Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

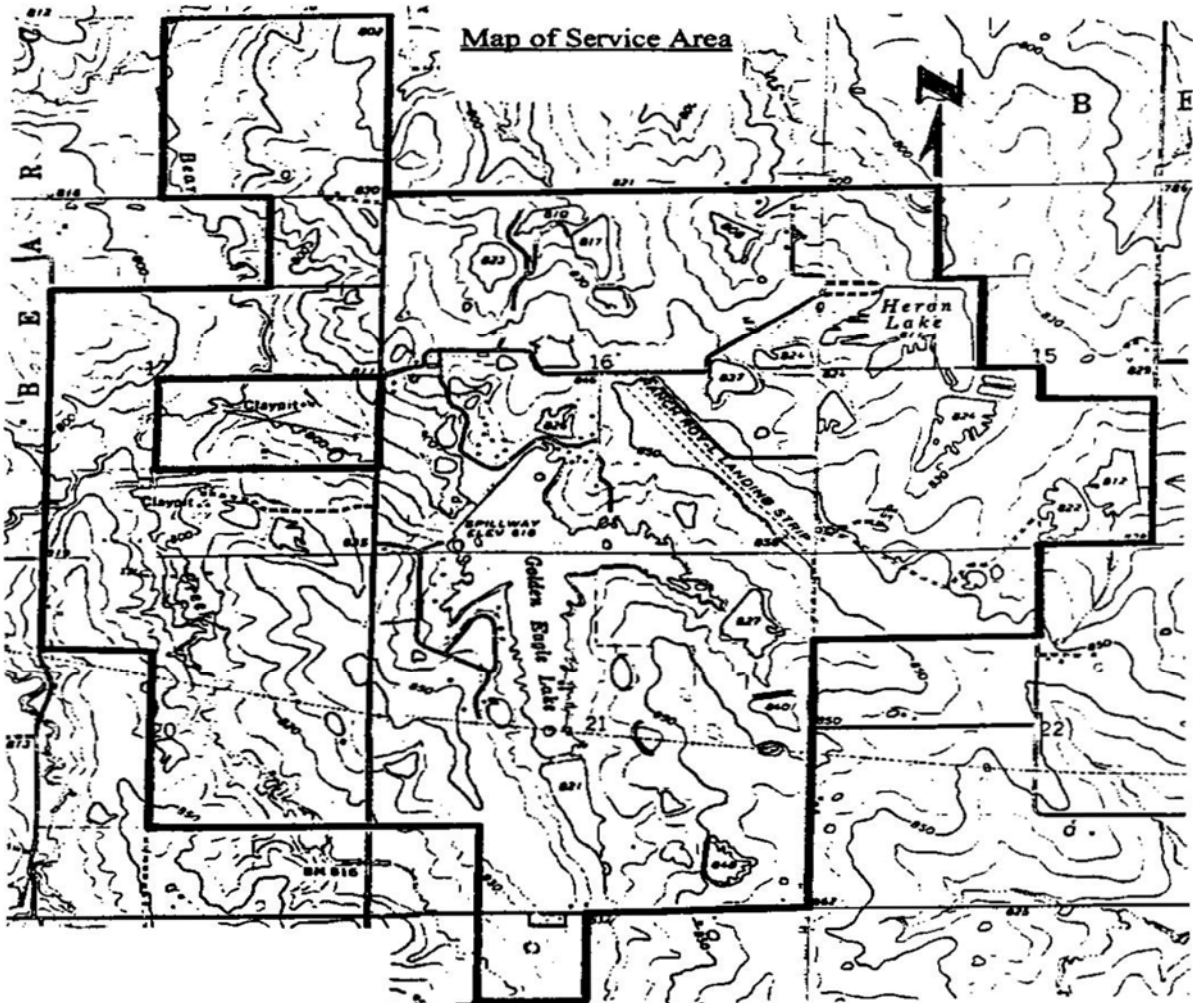
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Mailing Address
KY2020-00290_BW_0215

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Roy-L Service Area



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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0216

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Map of the Whispering Pines Subdivision Service Area (formally Gladlo)



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Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0217

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Auburn Lakes Service Area

The area served consists of part of the Northwest Quarter of Section 23, Township 48 North, Range 1 West of the 5th P.M., in Lincoln County, Missouri and being more particularly described as follows:

Beginning at the Northwest corner of the Northwest ¼ of Section 23 in Township 48 North, Range 1 West; thence along the North line of said Northwest ¼ South 87°43'22" East 2728.78 feet to the Northeast corner of said Northwest ¼; thence along the East line of said Northwest ¼ South 1°48'43" West 1340.53 feet; thence leaving said East line North 85°57'01" West 545.11 feet; thence South 3°23'07" West 1358.79 feet to the Centerline of Gibison Road, as it exist January 2020; thence along the Centerline of said road North 86°54'11" West 658.03 feet; thence North 81°42'01" West 101.05 feet; thence leaving said Centerline North 8°22'58" East 39.92 feet; thence North 81°32'24" West 1405.94 feet to the West line of said Northwest ¼; thence along said West line North 1°28'59" East 1132.66 feet; thence North 2°14'23" East 1338.47 feet to the Point of Beginning.

Said tract is 148 acres, more or less.

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0218

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Bon-Gor Estates Service Area (formally Smithview H2O)

A tract land located in Sections 14 and 15 and US Survey 2443 in Township 29 North Range 13 West in Boone County, Missouri, and being more particularly described as follows:
Beginning in the approximate Center of Section 14, in the center of the intersection of West Mauller Road and North Wade School Road, as it exist January 2020; thence 3297 feet m/l to the west right of way of the intersection of East Mauller Road and North Highway VV, as it exist January 2020, thence North 19° West 1742 feet m/l to a point; thence South 84° West 811 feet m/l; thence North 30° West 256 feet m/l to a point; North 3° East 226 feet m/l to a point; thence North 79° West 653 feet to a point; thence North 6° East 443 feet to a point; thence South 85° West 1140 feet m/l to the Centerline of North Wade School Road, as it exist January 2020; thence 2332 feet m/l along said Centerline to the Point of Beginning.

Said tract containing 138 acres, more or less.

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- + Indicates change

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Month /Day/Year

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Month /Day/Year

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0219

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Calvey Brook Service Area

A tract of land located in Section 20, within Township 42 North Range 2 East, in Franklin County, Missouri, and being more particularly described as follows:
Beginning at the intersection of the North line of Section 20, in Township 42 North Range 2 East, and Finney Road in Franklin County, as it exist on January 2020; thence along the Centerline of Finney Road, as it exist January 2020, 250 feet m/l to the Point of Beginning; thence 371 feet m/l until it meets the Centerline of Calvey Brook Drive, as it exist on January 2020; thence South 1434 feet m/l along the centerline of Calvey Brook Drive, as it exist on January 2020, to a point; thence South 87° West 620 feet m/l; thence due North 1645 feet m/l to a point; thence, North 73° East 543 feet m/l to the Point of Beginning.

Said tract containing 25 acres, more or less.

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KY2020-00290_BW_0220

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Chalet City West Subdivision/Alpine Village Community
Service Area (formally The Willows Utility Company)

A tract land located in Sections 15 and 16 in Township 28 North Range 23 West in Greene County, Missouri, and being more particularly described as follows:
Beginning in the Northwest corner of Section 15 in Township 28 North Range 23 West; thence 924 feet m/l along the North line of said Section to the True Point of Beginning; thence South 1314 feet m/l to the South line of the Northwest ¼ of the Northwest ¼; thence 2276 feet m/l to the Southwest corner of the Northeast ¼ of the Northeast ¼; thence North 406 feet m/l to the South right-of-way of US Highway 60; thence 1380 feet m/l along the South right-of-way of US Highway 60 to a point; thence South 65° East 178 feet m/l to a point; thence North 63° East 468 feet m/l to a point; thence North 23° West 164 feet m/l to the South right-of-way of US Highway 60; thence North 68° East 197 feet m/l to the North line of Section 15 in Township 28 North, Range 23 West; thence 443 feet m/l along North line of said Section to the Point of Beginning.

Said tract containing 51 acres, more or less.

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Mailing Address
KY2020-00290_BW_0221

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the City of Eugene Service Area

The area served consists of the South Half of Section 30 and the North Half of Section 31, Township 42 North, Range 13 West of the 5th P.M., in Cole County, Missouri.

Said tract is 486 acres, more or less.

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0222

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Evergreen Lake Subdivision Service Area

A tract of land being part of Section Thirty-Six (36), Township 43 North, Range 2 East and Part of Section 1, Township 42 North, Range 2 East in Franklin County, Missouri, particularly described as follows:

Beginning at the Southwestern Section Corner of Section 1 in Township 42 North, Range 2 East in Franklin County, Missouri, thence East along the Southern line of said Section to the intersection of the Eastern line of Franklin County; thence Northeasterly along the Eastern line of Franklin County to the Northeastern corner of said Section; thence North along the East line of Section 36 in Township 43 North, Range 2 East to the Northeast corner of said Section; thence West along the North line of said Section to the Northwest corner of said Section; thence South along the West line of said Section to the Southwest corner of said Section; thence West along North line of Section 1 in Township 42 North, Range 2 East; thence South along the West line of said Section 1 to the Point of Beginning

With exception to the service area of Crestview Acres Water Company (shown in the blue stripped area) described as follows:

A tract of land being part of the Northwest Quarter of the Southeast Quarter of Section 36, Township 43 North, Range 2 East, in Franklin County, Missouri, and more particularly described as follows :

Beginning at the Northeast corner of the Northwest Quarter of the Southeast Quarter of Section 36; thence South 0 degrees 45 minutes West along the Quarter-Quarter Section line 1360 feet, more or less, to the Southeast corner of the Northwest Quarter of the Southeast Quarter of Section 36; thence along the Quarter-Quarter Section line North 89 degrees 20 minutes West, 1333 feet, more or less, to the Southwest corner of the Northwest Quarter of the Southeast Quarter of section 36; thence along the Quarter Section line North 0 degrees 50 minutes East, 669 .9 feet to the Northwest corner of the South Half of the Northwest Quarter of the Southeast Quarter of Section 36; thence South 88 degrees 40 minutes East, 679 feet, more or less, to the West line of First Street, as it exist January 2020; thence North 0 degree 45 minutes East, 690 feet:, more or less,

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Name and Title of Issuing Officer

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KY2020-00290_BW_0223

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Evergreen Lake Subdivision Service Area, Continued

to the Quarter Section line; thence along said Quarter section line South 89 degrees 20 minutes East, 654 feet, more or less to the Point of Beginning, and containing 31 acres, more or less.

The overall service area of Evergreen Lake Subdivision being 1246 acres, more or less.

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Mailing Address
KY2020-00290_BW_0224

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Majestic Lakes Service Area

Beginning in the Northeast corner of Section 15 in Township 48 North, Range 1 East; thence Southerly 1417 feet m/l along Eastern line of said Section to a point; thence North 88° West 206 feet m/l to a point; thence South 1° West 383 feet m/l to a point; thence North 89° West 1023 feet m/l to a point; thence North 1° East 937 feet m/l to a point; thence North 79° West 370 feet; thence South 1° West 917 feet m/l to a point; thence North 87° West 362 feet m/l to a point; thence North 89° West 390 feet m/l to a point; thence South 58° West 159 feet m/l to the east right of way of Highway MM; thence along the east right of way Northwesterly 517 feet to the West line of Northeast ¼ of Section 15; thence North along said West line 3411 feet m/l to a point; thence North 69° West 361 feet m/l; thence North 0° East 464 feet m/l to a point; thence North 45° West 1044 feet to East right of way of Rolling Meadows Drive, as it exist January 2020; thence going 32 feet m/l around the right of way in a Northeastern direction, thence leaving said right of way in a South 75° East 1120 feet m/l to West line of Southeast ¼ of Section 10; thence North 1° East 663 feet m/l to Centerline of Cuivre River, as it exist January 2020; thence following said Centerline 5900 feet to Eastern line of the Southwest ¼ of Section 11 in Township 48 North, Range 1 East; thence South 0° 983 feet m/l to a point; thence North 89° West 1893 feet m/l to a point; thence South 0° 364 feet m/l to a point; thence South 64° West 789 feet m/l to Point of Beginning.

Said tract is 408 acres, more or less.

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Mailing Address
KY2020-00290_BW_0225

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Roy-L Service Area

The northeast fourth of the northwest quarter of Section 28 except approximately 3 acres described as follows: Beginning at a point on the south line of the public road 298 feet west of the northeast corner of said northeast fourth of the northwest quarter, thence south 155 feet, thence west parallel with said road 444 feet, thence north 155 feet, thence east along south line of said road 444 feet to the point of beginning; the southeast quarter of Section 8, the northeast one-fourth of the northeast quarter of Section 17; the south one-half of the northeast quarter of Section 17; the southeast quarter of the northwest quarter of Section 17; the east one-half of the southwest quarter of Section 17; the south one-half of the southeast quarter of Section 17; the northeast quarter of Section 20; the north east quarter of the northwest quarter of Section 20; the north one-half of the southeast quarter of Section 20; all of Section 16; the north one-half of Section 21; the southeast quarter of Section 21; the east one-half of the southwest quarter of Section 21; the northwest one-fourth of the southwest quarter of Section 21; the north one-half of the north-west quarter of Section 22; the southwest quarter of Section 15; the west one-half of the southeast quarter of Section 15; except 15.34 acres, part of the northwest fourth of the southeast quarter of Section 15 described as follows: Beginning at the center of said Section 15, thence east along the east-west center line 1357.34 feet to the center of the County road, thence 16' 30" west along the center of said road 492.82 feet, thence west 1354.42 feet, thence north 3'50" west 492.82 feet to the point of beginning; the west half of the northwest quarter of Section 15; 14.934 acres part of the southeast fourth of the northwest quarter of Section 15, described as follows: Commencing at the center of said Section 15, run thence west along the east-west center line of said Section 815 feet to the point of beginning, thence continuing west along said east-west center line 492.82 feet, thence north 32' 30" west 1320 feet, thence east 492.82 feet, thence south 32' 30" west 1320 feet to the point of beginning. All in Township 48 of Range 4 West of the Fifth Principal Meridian in Montgomery County, Missouri.

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- + Indicates change

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Mailing Address
KY2020-00290_BW_0226

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Legal Description of the Whispering Pines Subdivision Service Area (formally Gladlo)

A tract of land located in Sections 19 and 20, within Township 38 North Range 7 West, in Phelps County, Missouri, and being more particularly described as follows:
Beginning at the Northwest corner of the South 1/2 of the Northwest 1/4 of Section 20 in Township 38 North, Range 7 West in Phelps County, Missouri; thence along the North line of said South 1/2 of the Northwest 1/4 to the East line of the West 1/2 of Section 20, 3187.5 feet m/l; thence South along the East line of the Western 1/2 of Section 20 to Southeast corner of the Northwest 1/4 of Section 20, 1625 feet m/l; thence West along the South line of the Northwest 1/4 to the Southwest corner of the Southeast 1/4 of the Northwest 1/4 of Section 19, 4750 feet m/l; thence, North 812.5 feet m/l along the West line of the said 1/4 of 1/4 in Section 19; thence East along the North line of the said 1/4 of 1/4 to State Route V, as it exist January 2020, 562.5 feet m/l; thence, North 823 feet m/l along the centerline of State Route V, as it exist January 2020, to the Point of Beginning.
Said tract containing 102 acres, more or less.

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- + Indicates change

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Month /Day/Year

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Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0227

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
 Water Service

Schedule of Rates

AVAILABILITY – This rate is available to all residential (“domestic”), commercial, industrial, and other public authority metered customers.

MINIMUM CUSTOMER CHARGE – The minimum charge for water service available through the facilities of the Company for the billing period and for the meter size furnished the customer charge is:

| <u>Meter Size</u> | <u>Monthly Billing</u> |
|-------------------|------------------------|
| 5/8” | \$42.20 |
| 3/4” | \$46.42 |
| 1” | \$59.08 |
| 2” | \$122.39 |
| 4” | \$590.84 |

COMMODITY CHARGE – In addition to the Minimum Customer Charge, the Commodity Charge for all water used registered by the meter is or \$7.01 per 1,000 gallons.

FLAT RATE - Customers who do not have water meters will be billed a monthly charge of \$69.63 for full-time customers and \$50.64 for part-time customers. When bills are rendered for a period of less than one-half (1/2) of a complete billing period due to connection or termination of service, the billing shall be for one-half (1/2) the monthly charge; if a bill is rendered for a period equal to or greater than one-half (1/2) of a complete billing period due to connection or termination of service, the billing shall be for the full monthly charge.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
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ISSUED BY _____
 Name and Title of Issuing Officer

Mailing Address
 KY2020-00290_BW_0228

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Schedule of Rates Continued

SMITHVIEW H2O CUSTOMERS: Customers with a non-functioning meter will be charged a Flat Rate of \$71.25 until such time the meter is replaced. When a non-functioning meter is replaced with a functioning meter, the Minimum Customer Charge per meter size and the Commodity Charge will be applied to the next billing period.

PAYMENT TERMS - All bills for service under this schedule will be rendered in arrears on a monthly basis. The due date on the tariff shall be ten (10) days after the "date of rendition" of the bill to the customer. The customer's bill will be due and payable after this due date. The delinquent date printed on the bill will not be less than twenty-one (21) days after the date of the postmark of the bill. Any accounts remaining unpaid at the expiration of twenty-one (21) days shall be considered delinquent and the Company may take such action as specified in its filed rules and regulations.

TAXES - These rates do not include any municipal, state or federal taxes computed on either billing or consumption such taxes applicable shall be added as separate items in rendering each bill.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0229

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

| Rules and Regulations Governing Rendering of Water Service | |
|--|------------------|
| <u>Schedule of Service Charges</u> | |
| <p>The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:</p> | |
| <u>New Service Connection</u> | Actual Cost |
| <p>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.</p> | |
| <u>Service Connection Inspection</u> | \$82.50 |
| <p>See Rule 5 B. 2 and 5 B. 3.</p> | |
| <u>Turn-On/Turn-Off Requested by the Customer</u> | |
| <p>\$27.50 8 am to 5 pm Monday through Friday, when scheduled at least 24 hours in advance. \$164.00 before 8 am and after 5 pm and on Saturday & Sunday, or when scheduled with less than 24 hours' notice.</p> | |
| <u>Turn-On/Turn-Off Associated With Non-Payment</u> | \$27.50 Per Trip |
| <u>On-site Collection Charge</u> | \$27.50 |
| <p>This charge will be added to the current bill if the Company personnel is on-site to disconnect the service when the Customer pays the bill. The disconnection fee may not be assessed if the service is not physically disconnected.</p> | |
| <u>Meter Test Fee</u> | \$120.00 |
| <p>See Rule 12 B.</p> | |
| <p>* Indicates new rate or text + Indicates change</p> | |

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ISSUED BY _____
 Name and Title of Issuing Officer

 Mailing Address
 KY2020-00290_BW_0230

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Schedule of Service Charges Continued

Late Charges \$5 or 3%
The late charge is calculated monthly with the greater amount above being added to the delinquent bill in accordance with Rule 10 G.

Returned Check Charges \$25

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Issue Date: _____
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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0231

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 1 DEFINITIONS

- A. The "COMPANY" is Confluence Rivers Utility Operating Company, Inc., acting through its officers, managers, or other duly authorized employees or agents.
- B. 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.
- C. 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, and except for a guarantor is responsible for payment for service.
- D. 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 shall be based on available information such as construction/occupancy permits, electric service turn-on date, or may be the date of commencement of construction of the building upon the property.
- E. 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.
- F. "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the Company not requested by the Customer.
- G. 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.
- H. 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

Rule 1 DEFINITIONS CONTINUED

- * Indicates new rate or text
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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0232

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

- I. outdoor meter setting, or inside the Customer’s building where the water service line enters through a foundation wall.
- J. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer’s premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- K. A “RETURNED CHECK” is a check that is returned to the Company from any bank unpaid for any reason.
- L. A “SEASONAL CUSTOMER” is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to “Seasonal Customers” during periods of seasonal absence or turn-off.
- M. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line, or at the property line if there is no curb stop or outdoor meter setting. 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 service connection shall be deemed to end at the edge of the street abutting the Customer's property. The service connection shall be owned and maintained by the Company.
- 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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Name and Title of Issuing Officer

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KY2020-00290_BW_0233

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 1 DEFINITIONS 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 domicile within a multi-tenant building is a separate unit. 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. In instances of a multi-tenant building with a single service connection, each unit within the building is a separate customer subject to the flat rate monthly charge appearing in the Schedule of Rates, whether occupied or not.
- 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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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0234

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 2 GENERAL RULES & REGULATIONS

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

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+ Indicates change

Issue Date: _____
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Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0235

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any services rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the intent of these Rules and Regulations.
- C. The Company shall not be responsible for damages caused by any failure to maintain water pressure or water quality, or for interruption, if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages due to, or interruptions caused by, defective piping, fittings, fixtures and appliances on the Customer's premises and not owned by the Company.
- E. The Company shall not be liable for damages due to Acts of God, civil disturbances, war, government actions, or other uncontrollable occurrences.

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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0236

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 4 APPLICATIONS FOR SERVICE

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

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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0237

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

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, or at the edge of the street if such property line is in the street. Separate buildings shall be served through separate water service lines if they are not on one lot that cannot be subdivided.
- B. The service connection from the water main to the Customer's property line shall be owned and maintained by the Company. Construction of the service connection, outdoor meter setting and curb stop shall be accomplished in one of the following ways at the Customer's option:
 - 1. The Company will construct the service connection, outdoor meter setting and curb stop, as necessary, and make the connection to the main, within three (3) business days of an application for service, or within the time period specified in an application for service (See Rule 4). The Customer shall be responsible for payment of the New Service Connection Fee, as specified by or provided for in the Schedule of Service Charges; or,
 - 2. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and make the connection to the main, subject to prior approval of the Company; or,
 - 3. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and the Company will tap the main and connect the service connection. The Customer shall be responsible for payment of a New Service Connection Fee as specified by or provided for in the Schedule of Service Charges.
- C. A service connection installation constructed by the Customer as provided for

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES CONTINUED

- D. in paragraphs 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 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 paragraph D., below, or if the Company installs the service connection as provided in 5 B. 1., above.
- E. 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.
- F. 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.
- G. 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.
- H. 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.

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0239

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES CONTINUED

- I. 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.
- J. The Company will not install a service connection to a vacant lot if such lot is not intended and recognized by the Company to be for intermittent use such as camping or picnic activity in a recreational subdivision, and the Customer installs a frost-free lockable hydrant at any point of use.
- K. 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.
- L. The Company shall have the right to enter the Customer's premises, after reasonable notice, for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- M. 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, landlocked property, or a clear impossibility to construction a future main extension for further subdivision development or additional future customers, will be at the discretion of the Company.
- N. Any Customer having a plumbing arrangement, or a water-using device that could allow backsiphonage of any chemical, petroleum, process water, water

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KY2020-00290_BW_0240

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES CONTINUED

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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Mailing Address
KY2020-00290_BW_0241

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

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 service connection or meter yoke, or allow any such action. Licensed plumbers may operate such valves in order to work on the Customer's premises and to test their work, but must leave such valves open or closed as found.
- E. The Customer shall not attempt to take unmetered water from the Company mains either by an unauthorized tap or direct connection to service connection nor by connection to a fire hydrant.
- F. Customers will not be permitted to supply water in any way to premises other than the service address, nor to permit others to use their hose or attachments, nor leave them exposed to use by others without permission from the Company.

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KY2020-00290_BW_0242

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

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. Misrepresentation of identity in obtaining utility service; or
 5. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult, or
 6. Failure to comply with the terms and conditions of a settlement agreement; or
 7. Refusal after reasonable notice 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
 8. 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
 9. 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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY CONTINUED

apply, and notice to the Customer shall be provided by rules and procedure applicable to the Customer's sewer service in lieu of notification required by these Rules and Regulations.

B. None of the following shall constitute sufficient cause for the Company to discontinue service:

1. The failure of the Customer to pay for merchandise, appliances, or service not subject to Commission jurisdiction as an integral part of the utility service provided by the Company; or
2. The failure of the Customer to pay for service received at a separate metering point, residence, or location. In the event of discontinuance or termination of service at a separate residential metering point, residence, or location in accordance with these Rules and Regulations, the Company may transfer and bill any unpaid balance to any other residential service account of the Customer and may discontinue service after twenty-one (21) days after rendition of the combined bill, for nonpayment, in accordance with this rule; or
3. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) meter at the same location for the purpose of billing the usage of specific devices under operational rate schedules or provisions is not construed as a different class of service for the purpose of this rule; or
4. The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service billed to the other customer; or
5. The failure of a previous owner or occupant of the premises to pay an

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY CONTINUED

unpaid or delinquent bill except where the previous occupant remains an occupant of the living unit; or

- 6. The failure to pay a bill correcting a previous underbilling, whenever the customer claims an inability to pay the corrected amount, unless a utility has offered the customer a payment arrangement equal to the period of underbilling.
- C. 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 with occupants who are not customers, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance, along with information pertaining to how one or more of the tenants may apply to become customers. Discontinuance shall occur within thirty (30) calendar days after the date given as the discontinuance date, shall occur between the hours of 8:00 a.m. and 4:00 p.m., and shall not occur on a day when the Company will not be available to reconnect service or on a day immediately preceding such a day.
- D. A discontinuance notice provided to a customer shall include:
 - 1. The name and address of the Customer, the service address if different than the Customer's address; and
 - 2. A statement of the reason for the proposed discontinuance of service and the cost for reconnection; and
 - 3. How the customer may avoid the discontinuance; and

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ISSUED BY _____
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY CONTINUED

4. The possibility of a payment agreement if the claim is for a charge not in dispute and the Customer is unable to pay the charge in full at one time; and

5. A telephone number the Customer may call from the service location without incurring toll charges and the address and any available electronic contact information of the utility prominently displayed where the customer may make an inquiry.

E. 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).

F. 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.

G. 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. The Company shall have the right to communicate with the owner of the Customer's Unit for purposes of gaining access to the property for discontinuance of service in accordance with the Missouri Public Service

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Name and Title of Issuing Officer

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY CONTINUED

Commission's billing practices, but any extra costs for arranging such access shall not be charged to the Customer's account.

- H. The provisions of paragraphs C. and E. above may be waived if safety of Company personnel while at the premises is a consideration.
- I. 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.
- J. 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.
- K. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- L. The Company shall deal with Customers, handle Customer accounts, and manage discontinuance of service procedures in accordance with the Missouri Public Service Commission's Utility Billing Practices.
- M. Applicable Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 8 TERMINATION OF WATER SERVICE AT CUSTOMER'S REQUEST

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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

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. Whenever service is interrupted for scheduled repairs or maintenance, 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.
- B. No refunds of charges for water service will be made for interruptions of service unless due to willful misconduct of the Company.
- C. 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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Mailing Address
KY2020-00290_BW_0249

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

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 in these Rules and Regulations. Other applicable service charges are set forth in the Schedule of Service Charges in these Rules and Regulations.
- B. A Customer who has made application for, or is receiving the benefit of, water service to a unit shall be responsible for payment for all water service provided to the Customer at said unit from the date of connection until the date requested by the Customer by proper notification to the Company to terminate service.
- C. Each Customer is responsible for furnishing the Company with the correct address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent. Bills and notices relating to the Company or its business will be mailed or delivered to the mailing address entered in the Customer's application unless the Company is notified in writing by the Customer of a change of address.
- D. Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.
- 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

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 10 BILLS FOR SERVICE CONTINUED

Company shall render bills monthly.

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

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 10 BILLS FOR SERVICE CONTINUED

- 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
- d. Can provide credit references from a commercial credit source.

J. The Company may require a security deposit or other acceptable written guarantee of payment as a condition of continued service if:

- 1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,
- 2. The utility service to the unit has been diverted or interfered with in an unauthorized manner; or,
- 3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods.

K. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.

L. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.

M. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 10 BILLS FOR SERVICE CONTINUED

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

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS

- A. When water meters are utilized for billing, 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. All meters shall be furnished, installed, maintained and removed by the Company and shall remain its property.
- B. 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. No meter size selection will be based solely on the size of the Customer's service line. 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 larger or smaller meter shall be paid by the Customer.
- C. 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.
- D. 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 change outs. If a Customer limits accessibility, or fails to protect a meter against damage, the Company may discontinue service and/or refuse to supply water until accessibility is restored and the Company is paid for any such damage. The amount of the charge shall be the cost of the necessary replacement parts and the labor cost necessary to make the repair.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS CONTINUED

- E. 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.
- F. If an existing basement meter location is determined by the Company to be inadequate or inaccessible, then the Customer must provide for the installation of a meter to be located at or near the Customer's property line. The Customer shall furnish or obtain from the Company, as appropriate, the necessary meter installation appurtenances conforming to the Company's specifications, and the cost of said appurtenances and labor shall be paid by the Customer.
- G. Approved meter installation locations in dry basements, sufficiently heated to keep the meter from freezing, may remain provided the meter is readily accessible, at the Company's and Customer's convenience as determined by the Company, for servicing and reading and the meter space provided is located where the service line enters the building. The Company may, at its discretion, require the Customer to install a remote reading device at an approved location, for the purpose of reading the meter. It is the responsibility of the Customer and/or the owner of the premises to provide a location for the water meter which, in the event of water discharge as a result of leakage from the meter or couplings, will not result in damage. The Company's liability for damages to any and all property caused by such leakage shall in no event exceed the price of water service to the affected premises for one average

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS CONTINUED

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 Staff of the Water and Sewer Unit of the Missouri Public Service Commission before ultimately refusing service or proceeding to discontinue service.

- H. The Customer shall promptly notify the Company of any defect in, or damage to, the meter setting.
- I. 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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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

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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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Water Service

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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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

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 the amount determined in paragraph B. above. Any applicable New Service Connection Fee will become due after the cost incurred by the Company has been ascertained, as per Rule 5 B. 1. or 3., and as specified in the Schedule of Service Charges. The contract may allow the Customer to contract with an independent contractor for the installation and supply of material, except that mains of twelve inches (12”) or greater diameter must be installed by the Company, and the reconstruction of existing facilities must be done by the Company.
- D. The cost to single-family residential applicant(s) connecting to a main extension for which other applicant(s) paid an amount determined in paragraph B., above, subject to subsequent adjustments for actual cost, shall be as follows:
 - 1. For single-family residential applicant(s) applying for service in a platted subdivision, the Company shall divide the actual cost of the extension by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing mains shall be excluded.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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| Rules and Regulations Governing Rendering of Water Service | | | | | | | | | | | | | |
|--|--------------------|-------------------|--------------------|------|---|------|-----|----|-----|----|-----|----|----|
| <p>Rule 14 <u>EXTENSION OF WATER MAINS CONTINUED</u></p> <p>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 cost of the main extension divided by the total length of the main extension in feet times one hundred (100) feet.</p> <p>3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs D.1. or D.2. above, multiplied by the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <thead> <tr> <th style="text-align: center; padding: 5px;"><u>Meter Size</u></th> <th style="text-align: center; padding: 5px;"><u>Flow Factor</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">5/8"</td> <td style="text-align: center; padding: 5px;">1</td> </tr> <tr> <td style="text-align: center; padding: 5px;">3/4"</td> <td style="text-align: center; padding: 5px;">1.1</td> </tr> <tr> <td style="text-align: center; padding: 5px;">1"</td> <td style="text-align: center; padding: 5px;">1.4</td> </tr> <tr> <td style="text-align: center; padding: 5px;">2"</td> <td style="text-align: center; padding: 5px;">2.9</td> </tr> <tr> <td style="text-align: center; padding: 5px;">4"</td> <td style="text-align: center; padding: 5px;">14</td> </tr> </tbody> </table> <p>E. Refunds of funds paid by applicant(s) for any estimated costs or actual costs of a main extension shall be made to such applicant(s) as follows:</p> <p>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.</p> <p>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.</p> <p>* Indicates new rate or text + Indicates change</p> | | <u>Meter Size</u> | <u>Flow Factor</u> | 5/8" | 1 | 3/4" | 1.1 | 1" | 1.4 | 2" | 2.9 | 4" | 14 |
| <u>Meter Size</u> | <u>Flow Factor</u> | | | | | | | | | | | | |
| 5/8" | 1 | | | | | | | | | | | | |
| 3/4" | 1.1 | | | | | | | | | | | | |
| 1" | 1.4 | | | | | | | | | | | | |
| 2" | 2.9 | | | | | | | | | | | | |
| 4" | 14 | | | | | | | | | | | | |

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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Water Service

Rule 14 EXTENSION OF WATER MAINS CONTINUED

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

F. Extensions made under this rule shall be and remain the property of the Company.

G. The Company reserves the right to further extend the main and to connect mains on intersecting streets and easements. Connecting new Customers to such further extensions shall not entitle the applicant(s) paying for the original extension to a refund for the connection of such Customers.

H. Extensions made under this rule shall be of Company-approved pipe sized to meet water service requirements. If the Company chooses to size the extension larger in order to meet the Company's overall system requirements, the additional cost caused by the larger size of pipe shall be borne by the Company.

I. No interest will be paid by the Company of payments for the extension made by the applicant(s).

J. If extensions are required on private roads, streets, through private property, or on private property adjacent to public right-of-way, a proper deed of easement must be furnished to the Company without cost to the Company, before the extension will be made.

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Mailing Address
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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Rules and Regulations Governing Rendering of
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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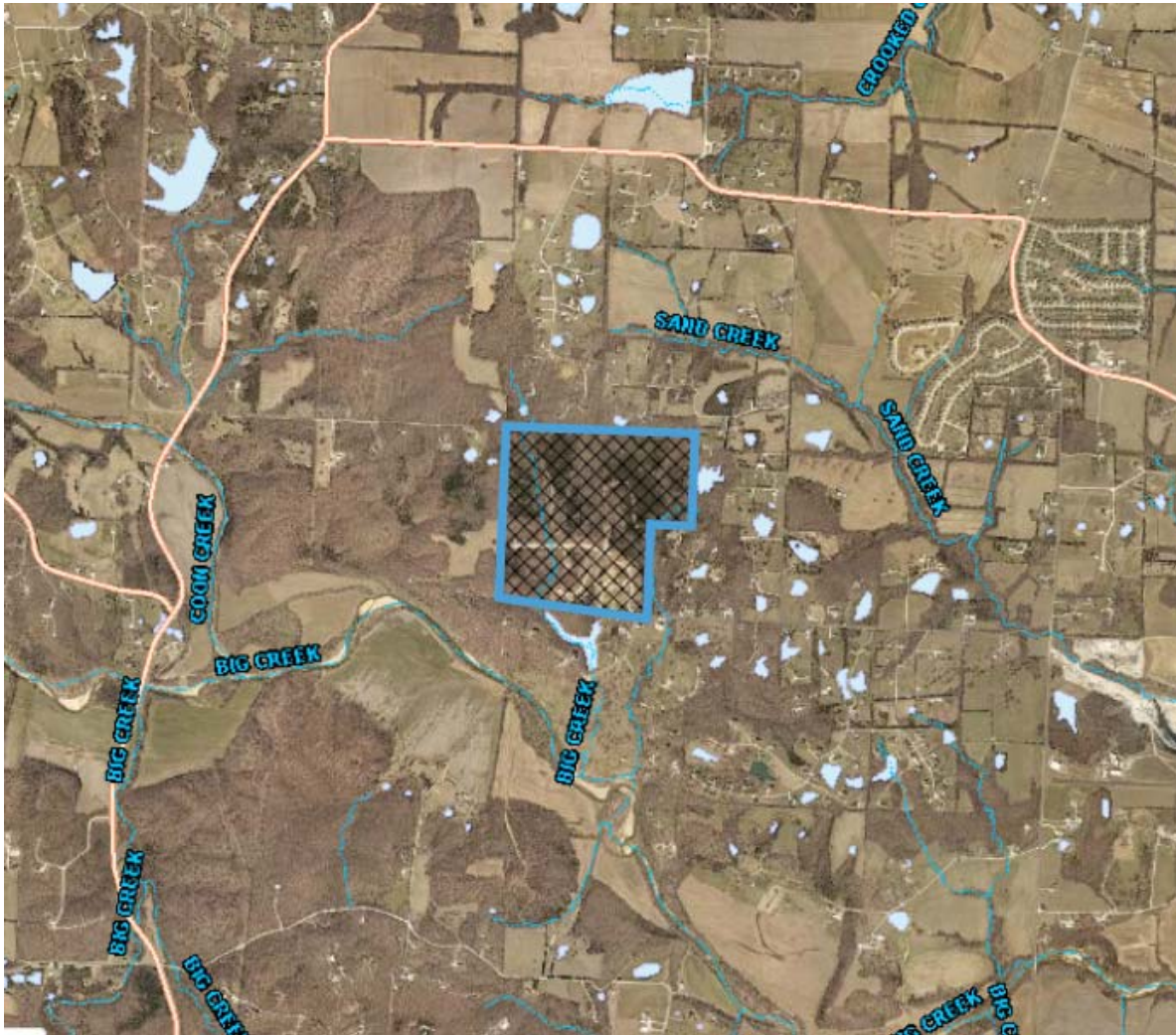
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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Rules and Regulations Governing Rendering of Sewer Service

Map of the Auburn Lakes Service Area



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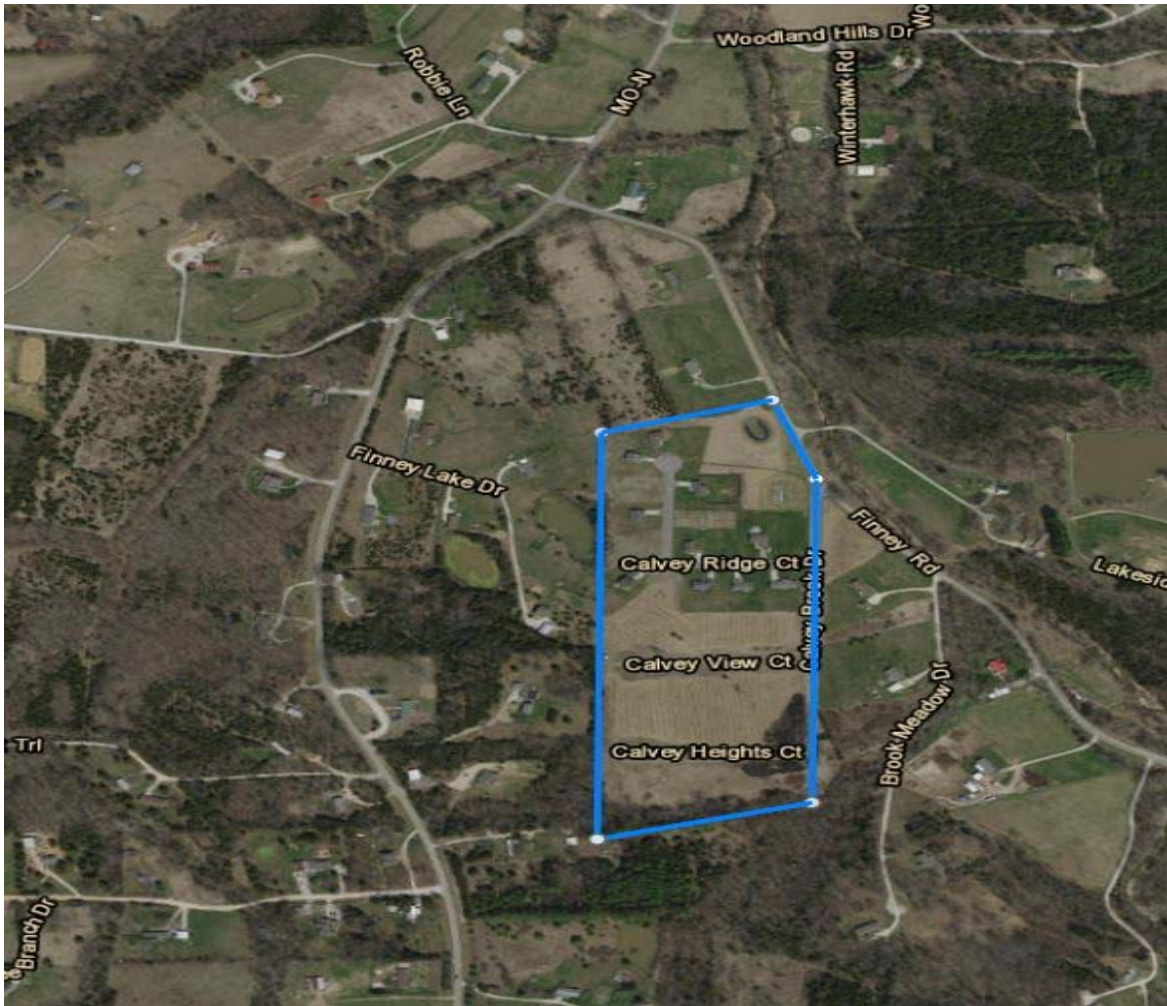
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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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Rules and Regulations Governing Rendering of Sewer Service

Map of the Calvey Brook Service Area



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Month /Day/Year

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Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0265

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Castlereagh Estates Service Area (formally Mill Creek)



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

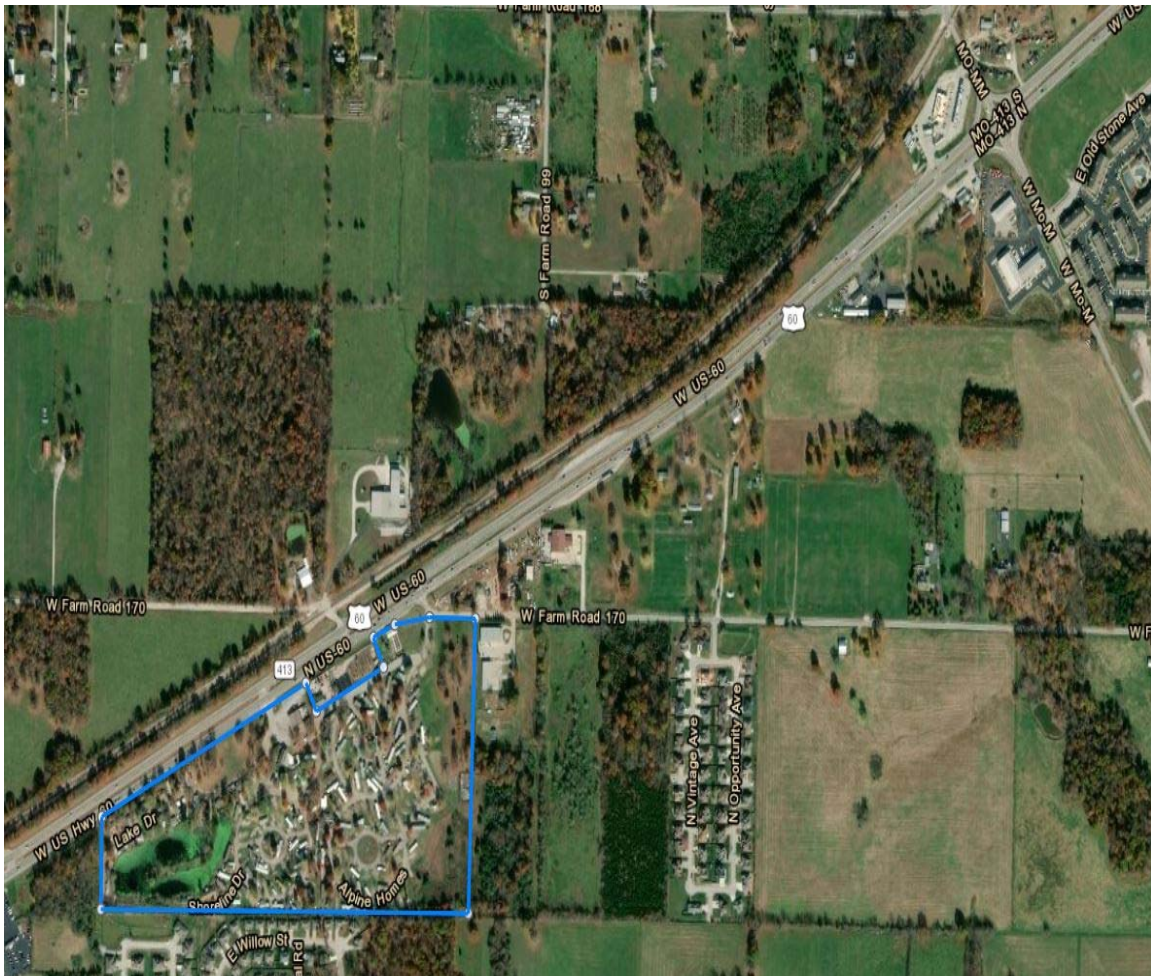
ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0266

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Chalet City West Subdivision/Alpine Village Community Service Area (formally The Willows Utility Company)



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0267

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Lake Virginia Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

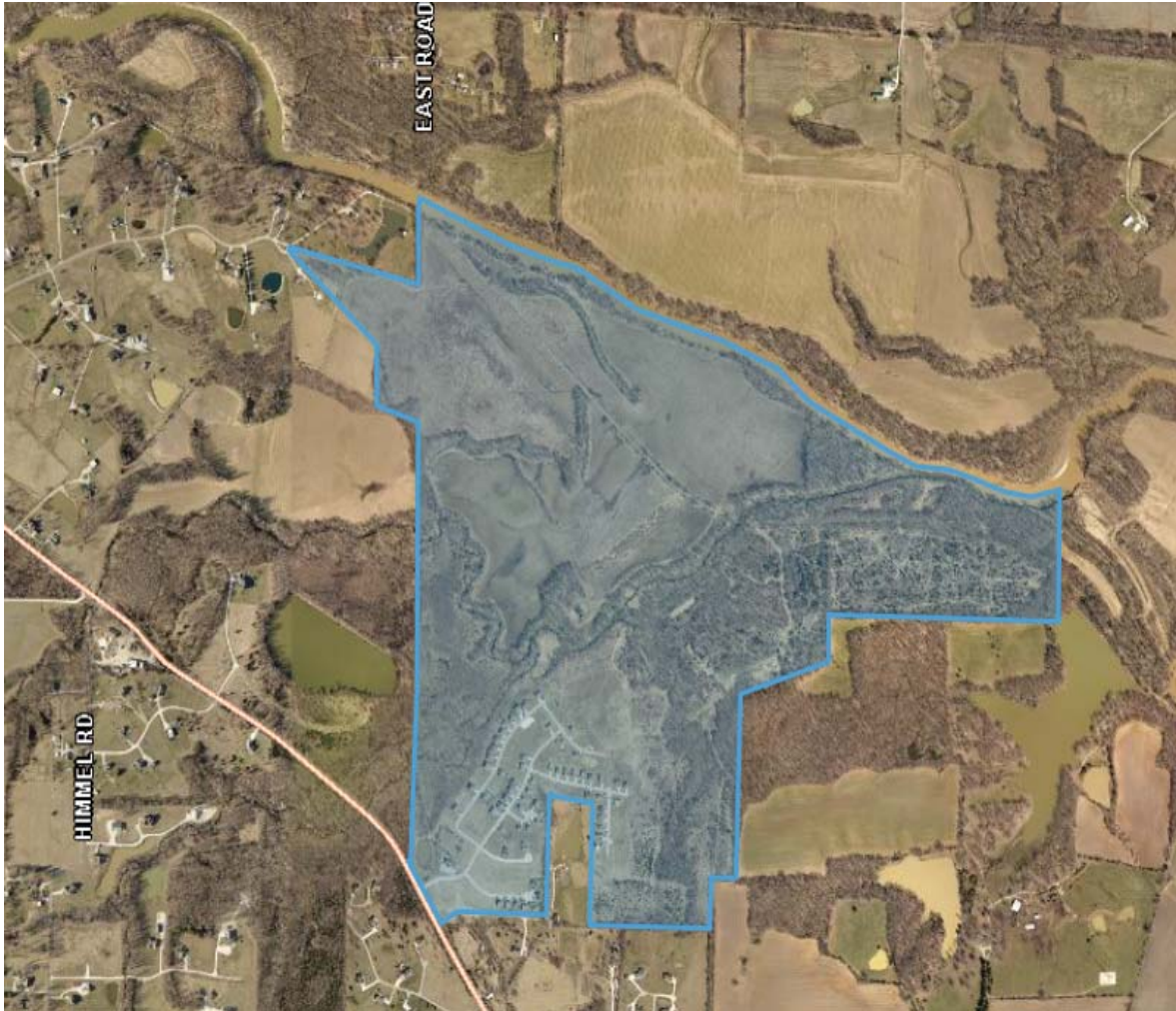
ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0268

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Majestic Lakes Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

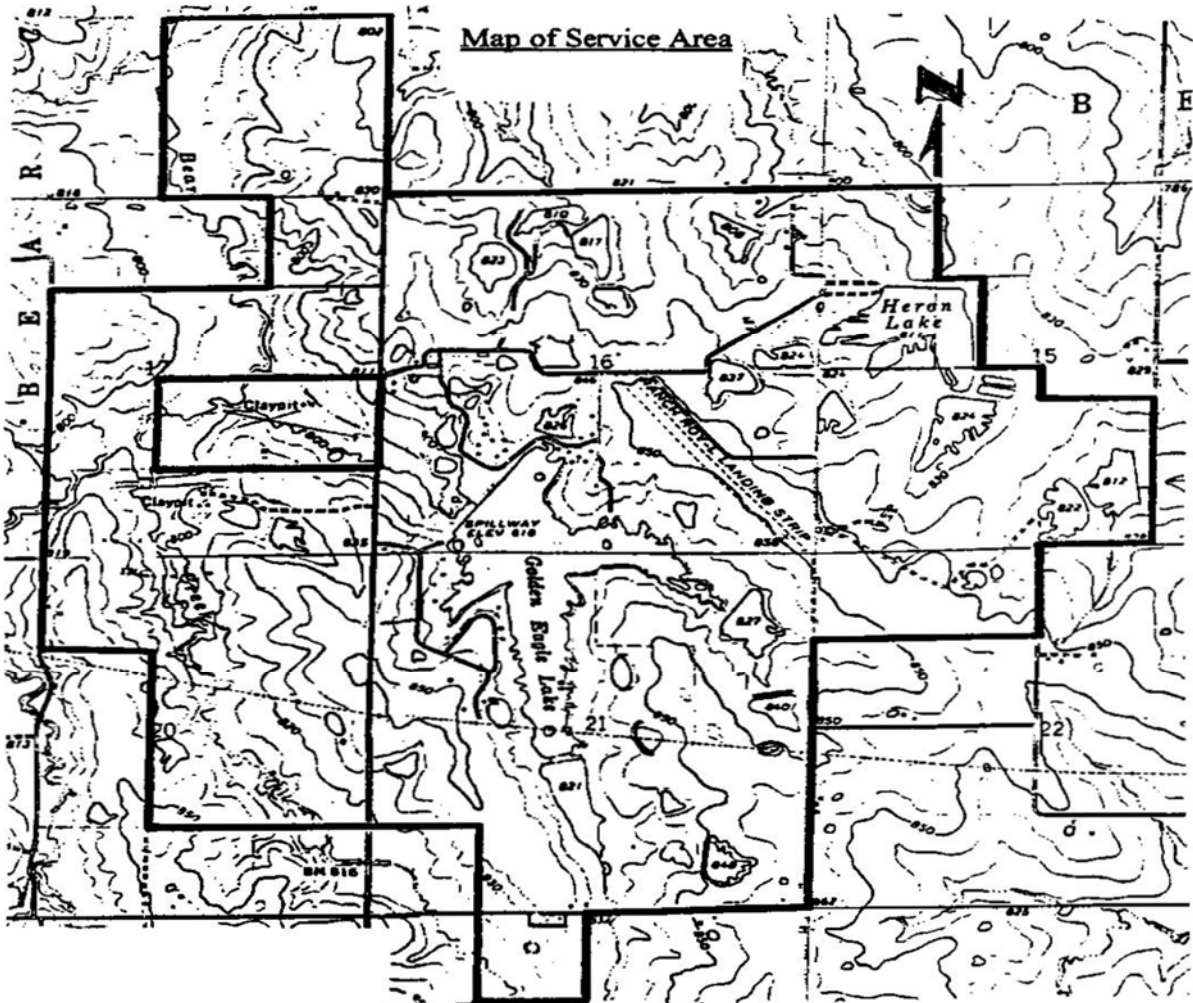
ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0269

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Roy-L Service Area



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0270

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Villa Ridge Service Area (formally The Willows Utility Company)



* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0271

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of the Whispering Pines Subdivision Service Area (formally Gladlo)



- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0272

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Auburn Lakes Service Area

The area served consists of part of the Northwest Quarter of Section 23, Township 48 North, Range 1 West of the 5th P.M., in Lincoln County, Missouri and being more particularly described as follows:

Beginning at the Northwest corner of the Northwest ¼ of Section 23 in Township 48 North, Range 1 West; thence along the North line of said Northwest ¼ South 87°43'22" East 2728.78 feet to the Northeast corner of said Northwest ¼; thence along the East line of said Northwest ¼ South 1°48'43" West 1340.53 feet; thence leaving said East line North 85°57'01" West 545.11 feet; thence South 3°23'07" West 1358.79 feet to the Centerline of Gibison Road, as it exist January 2020; thence along the Centerline of said road North 86°54'11" West 658.03 feet; thence North 81°42'01" West 101.05 feet; thence leaving said Centerline North 8°22'58" East 39.92 feet; thence North 81°32'24" West 1405.94 feet to the West line of said Northwest ¼; thence along said West line North 1°28'59" East 1132.66 feet; thence North 2°14'23" East 1338.47 feet to the Point of Beginning.

Said tract containing 148 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0273

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Calvey Brook Service Area

A tract of land located in Section 20, within Township 42 North Range 2 East, in Franklin County, Missouri, and being more particularly described as follows:

Beginning at the intersection of the North line of Section 20, in Township 42 North Range 2 East, and Finney Road in Franklin County, as it exist on January 2020; thence along the Centerline of Finney Road, as it exist January 2020, 250 feet m/l to the Point of Beginning; thence 371 feet m/l until it meets the Centerline of Calvey Brook Drive, as it exist on January 2020; thence South 1434 feet m/l along the centerline of Calvey Brook Drive, as it exist on January 2020, to a point; thence South 87° West 620 feet m/l; thence due North 1645 feet m/l to a point; thence, North 73° East 543 feet m/l to the Point of Beginning.

Said tract containing 25 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0274

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Castlereagh Estates Service Area (formally Mill Creek)

A tract of land in US Survey 361 in Saint Louis County, Missouri, and being more particularly described as follows:

Beginning at the Southwest corner of US Survey 361; thence along the Western line of said US Survey 2000 feet m/l to a point; thence North 83° East 1940 feet m/l to the Point of Beginning; thence North 74° West 260 feet m/l to a point; thence South 54° West 162 feet m/l to a point; thence North 9° West 292 feet m/l to the Centerline of Kings Court, as it exist January 2020; thence along the Centerline of Kings Court 173 feet m/l to the Centerline of Kings Drive, as it exist January 2020; thence along the Centerline of Kings Drive 210 feet m/l to a point; thence North 32° West 32 feet m/l to a point; thence North 60° West 210 feet m/l to a point; thence North 27° West 648 feet m/l to a point; thence North 20° West 512 feet m/l to a point; thence South 54° East 138 feet m/l to a point; thence North 88° East 319 feet m/l to a point; thence South 81° East 460 feet m/l to the Centerline of Kings Drive, as it exist January 2020; thence South 24° West 99 feet m/l to a point; thence South 72° East 312 feet m/l to a point; thence North 13° East 646 feet m/l to a point; thence South 70° East 1136 feet m/l to a point; thence South 58° East 115 feet m/l to a point; thence South 67° East 317 feet m/l to the Centerline of Kings Drive; thence 127 feet m/l along the Centerline of Kings Drive; thence North 84° East 161 feet m/l to a point; thence South 66° East 261 feet m/l to a point; thence South 20° West 458 feet m/l to a point; thence South 60° East 77 feet m/l to a point; thence South 16° West 193 feet m/l to a point; thence South 66° West 866 feet m/l to a point; thence North 62° West 252 feet m/l to a point; thence South 66° West 500 feet to a point; thence South 31° West 217 feet m/l to a point; thence North 75° West 389 feet m/l to the Point of Beginning.

Said tract containing 84 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0275

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Chalet City West Subdivision/Alpine Village Community
Service Area (formally The Willows Utility Company)

A tract land located in Sections 15 and 16 in Township 28 North Range 23 West in Greene County, Missouri, and being more particularly described as follows:

Beginning in the Northwest corner of Section 15 in Township 28 North Range 23 West; thence 924 feet m/l along the North line of said Section to the True Point of Beginning; thence South 1314 feet m/l to the South line of the Northwest ¼ of the Northwest ¼; thence 2276 feet m/l to the Southwest corner of the Northeast ¼ of the Northeast ¼; thence North 406 feet m/l to the South right-of-way of US Highway 60; thence 1380 feet m/l along the South right-of-way of US Highway 60 to a point; thence South 65° East 178 feet m/l to a point; thence North 63° East 468 feet m/l to a point; thence North 23° West 164 feet m/l to the South right-of-way of US Highway 60; thence North 68° East 197 feet m/l to the North line of Section 15 in Township 28 North, Range 23 West; thence 443 feet m/l along North line of said Section to the Point of Beginning.

Said tract containing 51 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0276

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of Lake Virginia Service Area

A tract of land located in Section 8, Section 9 and US Survey 423, all being in Township 40 North Range 5 East in Jefferson County, Missouri, and being more particularly described as follows:

Beginning at the North corner of US Survey 2978, where it meets the center of Section 8 in Township 40 North Range 5 East; thence 238 feet m/l due North along the Centerline of said Section to a point; thence 2439 feet m/l due East to the Centerline of Mapaville-Hematite Road in Jefferson County, as it exist January 2020; thence 3115 feet m/l Southeasterly along the said Centerline; thence 629 feet m/l North 81° West; thence 243 feet m/l South 20° West; thence 281 feet m/l North 70° West; thence 41 feet m/l South 14° West; thence 456 feet North 66° West; thence 630 feet North 69° West ; thence 135 feet m/l South 35° West to the boarder of US Survey 2978 and Section 8; thence 2850 feet m/l Northwesterly along the Northeast line of US Survey 2978 to the Point of Beginning.

Said tract containing 128 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0277

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
 Sewer Service

Legal Description of the Majestic Lakes Service Area

Beginning in the Northeast corner of Section 15 in Township 48 North, Range 1 East; thence Southerly 1417 feet m/l along Eastern line of said Section to a point; thence North 88° West 206 feet m/l to a point; thence South 1° West 383 feet m/l to a point; thence North 89° West 1023 feet m/l to a point; thence North 1° East 937 feet m/l to a point; thence North 79° West 370 feet; thence South 1° West 917 feet m/l to a point; thence North 87° West 362 feet m/l to a point; thence North 89° West 390 feet m/l to a point; thence South 58° West 159 feet m/l to the east right of way of Highway MM; thence along the east right of way Northwesterly 517 feet to the West line of Northeast ¼ of Section 15; thence North along said West line 3411 feet m/l to a point; thence North 69° West 361 feet m/l; thence North 0° East 464 feet m/l to a point; thence North 45° West 1044 feet to East right of way of Rolling Meadows Drive, as it exist January 2020; thence going 32 feet m/l around the right of way in a Northeastern direction, thence leaving said right of way in a South 75° East 1120 feet m/l to West line of Southeast ¼ of Section 10; thence North 1° East 663 feet m/l to Centerline of Cuivre River, as it exist January 2020; thence following said Centerline 5900 feet to Eastern line of the Southwest ¼ of Section 11 in Township 48 North, Range 1 East; thence South 0° 983 feet m/l to a point; thence North 89° West 1893 feet m/l to a point; thence South 0° 364 feet m/l to a point; thence South 64° West 789 feet m/l to Point of Beginning.

Said tract containing 408 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
 Month /Day/Year

Effective Date: _____
 Month /Day/Year

ISSUED BY _____
 Name and Title of Issuing Officer

 Mailing Address
 KY2020-00290_BW_0278

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Roy-L Service Area

The northeast fourth of the northwest quarter of Section 28 except approximately 3 acres described as follows: Beginning at a point on the south line of the public road 298 feet west of the northeast corner of said northeast fourth of the northwest quarter, thence south 155 feet, thence west parallel with said road 444 feet, thence north 155 feet, thence east along south line of said road 444 feet to the point of beginning; the southeast quarter of Section 8, the northeast one-fourth of the northeast quarter of Section 17; the south one-half of the northeast quarter of Section 17; the southeast quarter of the northwest quarter of Section 17; the east one-half of the southwest quarter of Section 17; the south one-half of the southeast quarter of Section 17; the northeast quarter of Section 20; the north east quarter of the northwest quarter of Section 20; the north one-half of the southeast quarter of Section 20; all of Section 16; the north one-half of Section 21; the southeast quarter of Section 21; the east one-half of the southwest quarter of Section 21; the northwest one-fourth of the southwest quarter of Section 21; the north one-half of the north-west quarter of Section 22; the southwest quarter of Section 15; the west one-half of the southeast quarter of Section 15; except 15.34 acres, part of the northwest fourth of the southeast quarter of Section 15 described as follows: Beginning at the center of said Section 15, thence east along the east-west center line 1357.34 feet to the center of the County road, thence 16' 30" west along the center of said road 492.82 feet, thence west 1354.42 feet, thence north 3'50" west 492.82 feet to the point of beginning; the west half of the northwest quarter of Section 15; 14.934 acres part of the southeast fourth of the northwest quarter of Section 15, described as follows: Commencing at the center of said Section 15, run thence west along the east-west center line of said Section 815 feet to the point of beginning, thence continuing west along said east-west center line 492.82 feet, thence north 32' 30" west 1320 feet, thence east 492.82 feet, thence south 32' 30" west 1320 feet to the point of beginning. All in Township 48 of Range 4 West of the Fifth Principal Meridian in Montgomery County, Missouri.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0279

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of Villa Ridge Service Area

A tract of land in Section 22 and 23 in Township 43 North Range 1 East in Franklin County, Missouri, and being more particularly described as follows:

Beginning in the Northwest corner of Section 23 in Township 43 North Range 1 East in Franklin County, Missouri; thence 1331 feet m/l along the North line of said Section to a point that is the Northeast corner of the Northwest ¼ of the Northwest ¼; thence 2392 feet South along the East line of the Western ½ of the Northwest ¼ of Section 23 in Township 43 North Range 1 to the Centerline of State Highway AT; thence Westerly 1995 feet m/l along the said Centerline, passing the West line of Section 23, to a point; thence North 88° West 881 feet m/l to the Centerline of Rock Bridge Road, as it exist January 2020; thence Northerly along said Centerline 320 feet m/l; thence North 71° West 539 feet m/l to a point; thence North 19° East 200 feet m/l to a point; thence South 75° East 488 feet m/l to the Centerline of Rock Bridge Road, as it exist January 2020; thence Northerly along said Centerline 1513 feet m/l to the Centerline of State Highway M, as it exist January 2020; thence Northeasterly along said Centerline to its intersection of the North line of Section 22 in Township 43 North Range 1 East; thence 930 feet m/l along said Section line to the Point of Beginning.

Said tract containing 154 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0280

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of the Whispering Pines Subdivision Service Area (formally Gladlo)

A tract of land located in Sections 19 and 20, within Township 38 North Range 7 West, in Phelps County, Missouri, and being more particularly described as follows:

Beginning at the Northwest corner of the South 1/2 of the Northwest 1/4 of Section 20 in Township 38 North, Range 7 West in Phelps County, Missouri; thence along the North line of said South 1/2 of the Northwest 1/4 to the East line of the West 1/2 of Section 20, 3187.5 feet m/l; thence South along the East line of the Western 1/2 of Section 20 to Southeast corner of the Northwest 1/4 of Section 20, 1625 feet m/l; thence West along the South line of the Northwest 1/4 to the Southwest corner of the Southeast 1/4 of the Northwest 1/4 of Section 19, 4750 feet m/l; thence, North 812.5 feet m/l along the West line of the said 1/4 of 1/4 in Section 19; thence East along the North line of the said 1/4 of 1/4 to State Route V, as it exist January 2020, 562.5 feet m/l; thence, North 823 feet m/l along the centerline of State Route V, as it exist January 2020, to the Point of Beginning.

Said tract containing 102 acres, more or less.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0281

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Schedule of Rates

AVAILABILITY – This rate is available to all residential (“domestic”), commercial, industrial, and other public authority customers.

FLAT RATE - Customers will be billed a monthly charge of \$72.48. When bills are rendered for a period of less than one-half (1/2) of a complete billing period due to connection or termination of service, the billing shall be for one-half (1/2) the monthly charge; if a bill is rendered for a period equal to or greater than one-half (1/2) of a complete billing period due to connection or termination of service, the billing shall be for the full monthly charge.

PAYMENT TERMS - All bills for service under this schedule will be rendered in arrears on a monthly basis. The due date on the tariff shall be ten (10) days after the "date of rendition" of the bill to the customer. The customer's bill will be due and payable after this due date. The delinquent date printed on the bill will not be less than twenty-one (21) days after the date of the postmark of the bill. Any accounts remaining unpaid at the expiration of twenty-one (21) days shall be considered delinquent and the Company may take such action as specified in its filed rules and regulations.

TAXES - These rates do not include any municipal, state or federal taxes computed on either billing or consumption such taxes applicable shall be added as separate items in rendering each bill.

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0282

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

| Rules and Regulations Governing Rendering of Sewer Service | |
|--|------------------|
| <u>Schedule of Service Charges</u> | |
| <p>The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:</p> | |
| <u>New Service Connection</u> | Actual Cost |
| <p>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.</p> | |
| <u>Service Connection Inspection</u> | \$82.50 |
| <p>See Rule 5 B. 2 and 5 B. 3.</p> | |
| <u>Turn-On/Turn-Off Requested by the Customer</u> | |
| <p>\$27.50 8 am to 5 pm Monday through Friday, when scheduled at least 24 hours in advance. \$164.00 before 8 am and after 5 pm and on Saturday & Sunday, or when scheduled with less than 24 hours' notice.</p> | |
| <u>Turn-On/Turn-Off Associated With Non-Payment</u> | \$27.50 Per Trip |
| <u>On-site Collection Charge</u> | \$27.50 |
| <p>This charge will be added to the current bill if the Company personnel is on-site to disconnect the service when the Customer pays the bill. The disconnection fee may not be assessed if the service is not physically disconnected.</p> | |
| <u>Meter Test Fee</u> | \$120.00 |
| <p>See Rule 12 B.</p> | |
| <p>* Indicates new rate or text + Indicates change</p> | |

Issue Date: _____
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 Month /Day/Year

ISSUED BY _____
 Name and Title of Issuing Officer

 Mailing Address
 KY2020-00290_BW_0283

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Schedule of Service Charges Continued

| | |
|--|-----------|
| <u>Late Charges</u> | \$5 or 3% |
| The late charge is calculated monthly with the greater amount above being added to the delinquent bill in accordance with Rule 10 G. | |
| Returned Check Charges | \$25 |

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

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Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0284

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 – Definitions

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

* Indicates new rate or text
 + Indicates change

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Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0285

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 Definitions Continued

- E. The "COMPANY" is Confluence Rivers Utility Operating Company, acting through its officers, managers, or other duly authorized employees or agents.
- F. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for sewer service, or is receiving service from the Company, or whose facilities are connected for utilizing such service, and except for a guarantor is responsible for payment for service.
- G. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the Company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on available information, such as construction/occupancy permits, or water or electric service turn-on dates, or may be the date of commencement of construction of the building upon the property.
- H. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- I. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the Company not at the request of the Customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or turn-off of water service by the water utility at the request of the Company.
- J. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. See Rule 6 - Improper or Excessive Use.

* Indicates new rate or text
 + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0286

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 Definitions Continued

- K. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- L. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. pH is indicated on a scale reading from 1-14, with 7.0 being neutral, below 7.0 acid, and above 7.0 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- M. A "PUMP UNIT" is a self-contained facility consisting generally of a tank and an electric pump and may include liquid level controls, an alarm, and check valves; the Pump Unit may either separate solid from liquid waste retaining the solid waste in the tank and pumping the liquid waste under pressure to collecting sewer pipelines (septic tank effluent pump or STEP), or may pump waste water including solids to a collecting sewer or a pressure collecting sewer (grinder pump). The PUMP UNIT is installed, owned and maintained by the Customer.
- N. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- O. A "SADDLE" is a fitting that connects the Customer's Service Sewer to the collecting sewer whether it be a gravity collecting sewer or a pressure collecting sewer; the saddle clamps around the collecting sewer pipeline into which pipeline a hole is cut, and the Service Sewer is connected to the Saddle thereby connecting it to the collecting sewer.

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Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0287

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 1 Definitions Continued

- P. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to "Seasonal Customers" during periods of seasonal absence or turn-off.
- Q. A "SERVICE CONNECTION" is the connection of a service sewer to the Company's collecting sewer either at the bell of a tee branch or wye branch, or the bell of a saddle placed on the barrel of the collecting sewer.
- R. A "SERVICE SEWER" or "CUSTOMER'S SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer, excluding service tees, wyes or saddles. For Customers connected to a pressure collecting sewer and utilizing a pump unit, the portion of the Service Sewer between the pump unit and the collecting sewer is a pressurized portion of the Service Sewer. In addition to other parts and fittings this shall include a stop cock accessible to the Company for turn-off of sewage flow and a check valve to prevent backflow of waste-water under pressure in the pressure collecting sewer. The SERVICE SEWER is constructed, owned and maintained by the Customer.
- S. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes re-subdivision thereof.
- T. A "TEE" is a three-way one-piece pipe fitting in the shape of the letter "T" that is a part of the Collecting Sewer pipeline and to which the Customer's Service Sewer is connected.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 Definitions Continued

- U. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the Customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the Company, and may include physical disconnection of the service sewer, termination or disconnection of water service by the water utility, or the Company's observation of non-occupancy of the unit served.

- V. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate Units for each single family or firm occupying same as a residence or place of business.

- W. A "WYE" or "WYE BRANCH" or "Y" or "Y BRANCH" is a three-way one-piece pipe fitting in the shape of the letter "y" that is a part of the collecting sewer pipeline, and to which the Customer's service sewer is connected.

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KY2020-00290_BW_0289

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 2 - General Matters

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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 3 – Limited Authority Of Company Employees

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in the Company's Rules 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 letter or intent of these Rules and Regulations.
- C. The Company shall not be responsible for damages due to any failure to remove waste water from the premises, or for interruption if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages because of any interruption of sewer service, or for damages caused by defective piping, fittings, fixtures or appliances on the Customer's premises and not owned by the Company.
- E. The Company shall not be liable for damages due to damages from Acts of God, civil disturbances, war, government actions, and other uncontrollable occurrences.

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Mailing Address
KY2020-00290_BW_0291

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 4 – Applications For Sewer Service

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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 4 Applications for Service Continued

necessary, or if the Customer will be required to own, operate, and maintain a pretreatment facility, the Customer will also be so advised.

- F. When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the Company, so that there will be a basis for sewer charges. The Company and Customer may agree to an estimated water use amount, on an interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.
- G. The Company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 11 - Extension of Collecting Sewers, unless in the Company's judgment such a collecting sewer would serve no other future purpose and a service sewer may be constructed to serve the Customer's premises in a reasonable manner.
- H. A new service connection shall be authorized when all conditions in the above paragraphs, and Rule 5 – Inside Piping and Customer Service Sewer, regarding application, construction and inspection provisions, are met.
- I. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by Commercial or Industrial Customers except upon written notice to and with the written consent of the Company.

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Mailing Address
KY2020-00290_BW_0293

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 5 – Inside Piping And Customer Service Sewer

- A. The Customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer, with the approval of the Company. The Customer shall notify the Company prior to cleaning or repairing the service sewer.
- B. When a service sewer is to be connected to the collecting sewer, the plumber shall advise the Company twenty-four (24) hours in advance of when the connection is expected to be made so a representative of the Company can inspect the installation and connection. No backfill shall be placed until the work has been inspected by the Company. In the event the Customer or the Customer's agent shall damage a tee branch, wye branch or saddle, or cause damage to the collecting sewer, then the Customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.
- C. Plumbing specifications of all governmental agencies having jurisdiction, and these Rules and Regulations, in effect at the time of connection, must be met. The Company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.
- D. A separate and independent service sewer shall generally be required for every building. Exceptions are:
 - 1. When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 5 – Inside Piping And Customer Service Sewer Continued

2. When two or more buildings are a part of a complex that cannot be subdivided.

E. The gravity service sewer shall be constructed using ductile iron pipe, polyvinyl chloride pipe (PVC), ASTM specification or equal; or other suitable material approved by the Company. Only those jointing materials and methods that are approved by the Company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten (10) feet of a water main or water service pipe shall be constructed of ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications and on undisturbed earth or fill compacted to at least ninety-five percent (95%) proctor density. Fill may be non-organic soil or aggregate.

F. The size and slope of the gravity service sewer shall be subject to the approval of the Company, but in no event shall the diameter be less than four (4) inches. The slope of such four (4) inch gravity sewer pipe shall not be less than one-eighth (1/8) inch per foot.

G. Whenever possible, the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three (3) feet of any bearing wall except where the service sewer enters the building area. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.

H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test to meet all requirements of the Company.

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KY2020-00290_BW_0295

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 5 – Inside Piping And Customer Service Sewer Continued

- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.
- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the Company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.
- K. The connection of the service sewer to the collecting sewer shall be made at the tee branch or wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of twelve inch (12”) diameter or less and there is no properly located tee branch or wye branch at a suitable location, such a branch shall be furnished and installed by the Customer at a location specified by the Company and by an installation method approved by the Company. If the collecting sewer is greater than twelve inches (12”) in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the Company, and a saddle shall be furnished installed by the Customer to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight. The wye branch, tee branch, or saddle shall become a part of the Company’s collecting sewer and owned by the Company after installation.
- L. Any change in the location of an existing service connection and/or service sewer requested by the Customer shall be made at the Customer's expense.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 5 – Inside Piping And Customer Service Sewer Continued

- M. Company personnel may not work on piping or facilities not owned by the Company, unless authorized by the Customer. Except, the Company will work on Customer-owned Pump Units as provided for within these Rules and Regulations.
- N. The Company shall have the right to enter the Customer's premises, after reasonable notice, for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- O. Customer Service Sewers may not be extended along public streets or roadways or through property of others in connecting with the Company's collecting sewers. The service sewer may, however, extend through the collecting sewer easement and roadway easement as necessary in order to be connected to a collecting sewer located across and adjacent to a street in front of the Customer's living unit. The service sewer must be laid in a straight line and at right angles to the collecting sewer 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.

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KY2020-00290_BW_0297

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 5A – Pressure Collecting Sewers

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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
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Rules and Regulations Governing Rendering of
Sewer Service

Rule 5A – Pressure Collecting Sewers Continued

cock may be required by the Company, depending upon the type of pump utilized. The stop cock and check valve will be furnished, owned and maintained by the Customer.

- F. In addition to other methods outlined elsewhere within these Rules, specifically Rule 7, for discontinuance of sewer service, sewer service may be disconnected by the Company by locking the stop cock in the closed position. Service shall not be resumed again except upon payment of all delinquent charges, plus any applicable approved service charge to cover the costs of resuming service, in accordance with these Rules.
- G. The gravity service sewer from the building to the pump unit and the pressurized portion of the service sewer from the pump unit to the collecting sewer shall be owned and maintained by the Customer.
- H. The pump unit shall be owned by the Customer. The Customer shall be responsible for repair, or replacement if necessary, of the tank portion of a pump unit. The Customer shall be responsible for the cost of mechanical and electrical parts, miscellaneous material, and labor, necessary for the repair of a pump unit including emergency repairs.
- I. If a Customer does not timely undertake necessary repairs to a pump unit for which the Customer is responsible, and a failure of a pump unit is causing, or is reasonably expected to cause, a discharge of untreated sewage, then the Company may, at its option, discontinue sewer service as per Rule 7 – Discontinuance of Service, including exercising the provision of Rule 7 G. where thirty (30) day notice may be waived. Or, if practical, the Company may undertake repairs to the Customer’s pump unit and bill the Customer for reasonably incurred expenses for such repairs.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 5A – Pressure Collecting Sewers Continued

- J. The Company shall not be liable for parts or labor necessary due to damage caused by misuse of the pump unit. The Customer and/or the owner of the premises wherein pump units are in operation shall be responsible for the care and safekeeping of the pump unit, including electrical service to the pump unit, to prevent freezing and overflow as well as damage due to flooding caused by the pump unit.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 6 – Improper Waste or Excessive Use

- A. In the event that the Customer to be served proposes to discharge, or actually consistently discharges, an abnormally high volume or strength of waste, the Company may require:
 - 1. The Customer to install a pretreatment facility, grease trap or other device on the premises, to prevent the exceeding of discharge limits, or other adverse impacts upon the Company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the Customer, and subject to approval and inspection by the Company.
 - 2. The Customer to enter into a special contract with the Company for treatment of the Customer's discharge, that could require an enlargement of the Company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities, in a form approved by the Missouri Public Service Commission with a rate applicable to the Customer to be included within this Schedule of Rates, Rules, and Regulations, that is fair and reasonable to both parties and so as not to constitute a burden upon the Company or the existing Customers of the Company.
- B. No Customer shall discharge or cause to be discharged any storm water, surface water, ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.
- C. The Customer shall not tamper with, by-pass, remove, or willfully damage a water meter that is used for calculation of sewer bills, or allow any such action.
- D. The Customer shall not attempt to discharge sewage either by an unauthorized service connection or direct unauthorized connection to a service sewer.
- E. Customers will not be permitted to allow discharge in any way from premises other

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 6 – Improper Waste or Excessive Use Continued

than the service address, nor to permit the use of their drains or connections to the service sewer for waste discharge by others, without permission from the Company.

F. Except as may be provided in paragraph A.2., above, the Customer shall be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collection sewer:

1. Maximum temperature of 150 degrees Fahrenheit.
2. Maximum strength of four-hundred (400) parts per million Biological Oxygen Demand (B.O.D.).
3. A maximum of one-hundred (100) parts per million, by weight, any fat, oil or grease.
4. A maximum of twenty-five (25) parts per million, by weight, any soluble oils.
5. No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas.
6. No garbage that has not been properly shredded.
7. No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system.
8. No waste-water having a pH less than 5.0 or greater than 9.0, or having any

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 6 – Improper Waste or Excessive Use Continued

other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the Company.

- 9. No waste-water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 7 – Discontinuance of Service

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. Misrepresentation of identity in obtaining utility service; or
5. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult, or
6. Failure to comply with the terms and conditions of a settlement agreement.
7. Refusal after reasonable notice 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
8. Violation of any of these Rules and Regulations on file with and approved by the Missouri Public Service Commission, for unauthorized resale of sewer service, or for any condition which adversely affects the safety of the Customer or other persons, or the integrity of the utility's sewer system; or
9. 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

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Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 7 – Discontinuance of Service Continued

apply, and notice to the Customer shall be provided by rules and procedure applicable to the Customer's sewer service in lieu of notification required by these Rules and Regulations.

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

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

C. Reconnection of any Customer after discontinuance of service by authority of this rule will be made subject to payment of the cost of reconnection.

D. Where the owner of rental property is the Customer and has been notified of the intent of disconnection, the tenants shall be given the opportunity in a reasonable and timely manner to pay delinquent bills in lieu of disconnection of service.

E. None of the following shall constitute sufficient cause for the Company to discontinue service:

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KY2020-00290_BW_0305

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 7 – Discontinuance of Service Continued

1. The failure of the Customer to pay for merchandise, appliances, or service not subject to Commission jurisdiction as an integral part of the utility service provided by the Company; or
2. The failure of the Customer to pay for service received at a separate point of service, residence, or location. In the event of discontinuance or termination of service at a separate residential point of service, residence, or location in accordance with these rules, the Company may transfer and bill any unpaid balance to any other residential service account of the Customer and may discontinue service after twenty-one (21) days after rendition of the combined bill, for nonpayment, in accordance with this rule; or
3. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) service connection at the same location for the purpose of billing the usage of specific devices under operational rate schedules or provisions is not construed as a different class of service for the purpose of this rule; or
4. The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service billed to the other customer; or
5. The failure of a previous owner or occupant of the premises to pay an unpaid or delinquent bill except where the previous occupant remains an occupant of the living unit; or
6. The failure to pay a bill correcting a previous underbilling, whenever the customer claims an inability to pay the corrected amount, unless a utility has offered the customer a payment arrangement equal to the period of underbilling.

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Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0306

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 7 – Discontinuance of Service Continued

F. Unless discontinuance is accomplished by turn-off of water service and discontinuance notice is provided by the water utility, then at least thirty (30) days prior to discontinuance of service, the Company will mail a written notice to the Customer by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission and a copy to the property owner if different than the Customer and if known by the Company. If the Company intends to discontinue service to a multi-tenant dwelling with occupants who are not customers, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance, along with information pertaining to how one or more of the tenants may apply to become customers. Discontinuance shall occur within thirty (30) calendar days after the date given as the discontinuance date, shall occur between the hours of 8:00 a.m. and 4:00 p.m., and shall not occur on a day when the Company will not be available to reconnect service or on a day immediately preceding such a day. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the Customer and the Missouri Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service.

G. A discontinuance notice provided to a customer shall include:

1. The name and address of the Customer, the service address if different than the Customer’s address; and
2. A statement of the reason for the proposed discontinuance of service and the cost for reconnection; and
3. How the customer may avoid the discontinuance; and
4. The possibility of a payment agreement if the claim is for a charge not in dispute and the Customer is unable to pay the charge in full at one time; and

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0307

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 7 – Discontinuance of Service Continued

- 5. A telephone number the Customer may call from the service location without incurring toll charges and the address and any available electronic contact information of the utility prominently displayed where the customer may make an inquiry.
- H. 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).
- I. 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.
- J. 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. The Company shall have the right to communicate with the owner of the Customer's Unit for purposes of gaining access to the property for discontinuance of service in accordance with the Missouri Public Service Commission's billing practices, but any extra costs for arranging such access shall not be charged to the Customer's account.
- K. The provisions of paragraphs I. and K., above, may be waived if safety of Company

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0308

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 7 – Discontinuance of Service Continued

personnel while at the premises is a consideration.

- L. 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.
- M. 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.
- N. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- O. The Company shall deal with Customers and handle Customer accounts in accordance with the Missouri Public Service Commission's Utility Billing Practices.
- P. Applicable Turn-off and turn-on charges are specified in the Schedule of Service Charges.

* Indicates new rate or text
 + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0309

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 8 – Termination Of Service

- A. Termination of service at the Customer's request may be accomplished at the expense of the Customer. If termination of service must be accomplished by physical disconnection, the Customer shall notify the Company of the date and time of the disconnection in writing at least five (5) days prior to the disconnection. If termination is accomplished by turn-off of water service, such notice shall be on or before the date of the water turn-off. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by turnoff of water service to that unit. The method used for termination of service shall be determined by the Company.
- B. A Customer may request temporary turn-off of water service or sewer service 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. A Customer who requests termination of sewer service, but returns to the premises and requests sewer 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.

* Indicates new rate or text
 + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0310

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 9 – Interruptions in Service

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

* Indicates new rate or text
 + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0311

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 10 – Bills for Service

- A. The charges for sewer service shall be at the rates specified in the Schedule of Rates in these Rules and Regulations. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A Customer who has made application for, or who is or has been taking sewer service at one or more units connected to the collecting sewer, shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the Customer in writing for service to be terminated, or until service is discontinued by the Company.
- C. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company, but failure to receive the bill will not relieve the Customer from the obligation to pay the same.
- D. Payments shall be made at the office of the Company or at a convenient location designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.
- 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. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations.
- G. The Company may render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage. Bills shall have the due date indicated on the bill. Bills will be rendered net, bearing the last date on

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0312

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 10 – Bills for Service Continued

which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of 21 days after rendition of the bill. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 8. Delinquent bills may be subject to a late charge as provided in the Schedule of Service Charges. 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 for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used.
- I. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum. The owner of the property served will be held responsible for ultimate payment of a bill. If the customer is a tenant of rental property, copies of all notices of violations of the rules, or of disconnection of service shall also be sent to the owner of the property if the owner is known to the Company.
- J. Unless sewer charges are billed in advance, the Company may require a security deposit or other guarantee as a condition of new service if the Customer:
 - 1. Has a past-due bill which accrued within the last five (5) years and, at the time of the request for service, remains unpaid and not in dispute with a utility for the provision of the same type of service; or,
 - 2. Has, in an unauthorized manner, within the last five (5) years prior to applying for service, interfered with or diverted the service of a utility in the provision of the same type of service; or,

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0313

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 10 – Bills for Service Continued

- 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
 - d. Can provide credit references from a commercial credit source.

K. Unless sewer charges are billed in advance, the Company may require a security deposit or other acceptable written guarantee of payment as a condition of continued or re-establishing service if 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 Customer has interfered with, diverted or, in an unauthorized manner, used utility service delivered to the customer’s premises; 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. Prior to requiring a customer to post a deposit under this subsection, the utility shall send the customer a written notice explaining the utility’s right to require a deposit or include such explanation with each written discontinuance notice.

L. 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.

M. Interest shall be payable annually on all deposits, but shall not accrue after the

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0314

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 10 – Bills for Service Continued

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.

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

* Indicates new rate or text
+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0315

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
 Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 11 – Extension Of Collecting Sewers

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

Rule 11 – Extension Of Collecting Sewers continued

- * Indicates new rate or text
- + Indicates change

Issue Date: _____
 Month /Day/Year

Effective Date: _____
 Month /Day/Year

ISSUED BY _____
 Name and Title of Issuing Officer

 Mailing Address
 KY2020-00290_BW_0316

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

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

* Indicates new rate or text
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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0317

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Rule 11 – Extension Of Collecting Sewers Continued

including income tax impact if any, by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing sewers shall be excluded.

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

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

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

* Indicates new rate or text
+ Indicates change

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ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0318

Name of Utility: Confluence Rivers Utility Operating Company, Inc.
Service Area: Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 11 – Extension Of Collecting Sewers Continued

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

* Indicates new rate or text
 + Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer

Mailing Address
KY2020-00290_BW_0319

Disposition Agreement Attachment D

CXD Report

CONSUMER EXPERIENCE DEPARTMENT REVIEW

The purpose of the Customer Experience Department (“CXD”) is to investigate and make recommendations to the Commission on issues related to customer experience and customer expectations, which include promoting and encouraging efficient and effective utility management and customer service. These objectives contribute to the Commission’s overall mission to ensure that Missourians receive safe and reliable utility service at just, reasonable, and affordable rates.

The objectives of this review are to document and analyze the management control processes, procedures, and practices used by Confluence Rivers to ensure that its customers’ service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding the Company’s customer service and business operations.

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

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

The CXD Staff examined the Company’s tariffs, Commission complaint and inquiry records, public comments and other documentation related to the Company’s customer service and business operations. In preparation of this report, the CXD Staff submitted initial data requests to the Company on September 30, 2019. Staff also submitted follow up requests and had conversations with Confluence Rivers’ staff for data request clarifications. Since this report was first distributed on November 27, 2019, CXD Staff performed a site visit with Nitor on December 3, 2019 in their Chesterfield, MO office.

Customer Billing

Confluence Rivers uses Nitor Billing Services, Inc. (“Nitor”) as a third-party customer contact center and for billing services. Nitor Billing Services is located in Chesterfield, Missouri and currently employs five customer service representatives. Nitor takes both emergency and customer service calls. Confluence Rivers also uses Nitor to calculate bills during the first week of the month in conjunction with MuniBilling. Each month bills are generated from the MuniBilling software system showing the amounts due for each customer. A file of bills to be

printed is prepared and compared to a billing report for accuracy.¹ In the coming months Nitor will switch from utilizing MuniBilling to Starnik billing system. Bill rendition is accomplished by a third-party mailing company, UPS Store in Jefferson City, who mails billing statements to customers within 2 days after receipt. Bills are due the last business day of each month and are considered delinquent the next day. Late fees are assessed two days after the delinquent date. The Company asserts that all customer data is stored in the cloud via a service provided by MuniBilling.²

Staff reviewed sample bills from each water and sewer system.³ The billing statement contains the Company name, address, and company's contact number and email address. The statement also has the account number, service address and a customer specific code to sign up online. Monthly charges include appropriate monthly rate, commodity charge, and meter reads (beginning and ending) if applicable. The billing statement also includes the previous balances, current charges, adjustments, payments and currently due amount and date. The Company's water and sewer tariffs include the applicable rates in each respective service territory where water and/or sewer service is provided.

Meter Reading

Confluence Rivers measures water usage in the Gladlo, Evergreen, Eugene, and Roy L service areas. Meter reading responsibilities are performed by an operator called Midwest Water. The operator reads the meters at the end of the month and compares the current reads to the previous months meter reads to check for unusually high or low reads.

Meter read data is entered into a master spreadsheet and is sent to Nitor Billing for processing. The readings and reading date are entered into the customer information system (CIS) and the CIS calculates the charge for usage based on the appropriate rates. Once entered into the CIS, the billing manager reviews the usage figures looking for any reads that are unusually high or low and will ask for a re-read if necessary. If the usage is unusually high and there is a potential leak, the customer will be notified by the billing manger.

Payment Remittance

Customer payment options include checks, credit and debit cards, money orders, and electronic bank drafts. Customers may mail checks or money orders to a St. Louis, Missouri, post office mailing address included on the billing statements.

Customers may access the Company's website to make payments from their checking account or with a credit or debit card. The website also provides options for customers to set up paperless billing or make automatic payments from a checking or savings account. Company personnel assert that bill payments are processed and recorded on the day they are received and bank deposits are made daily.

Credit and Collections

¹ DR 0053

² DR 0045

³ DR 0052

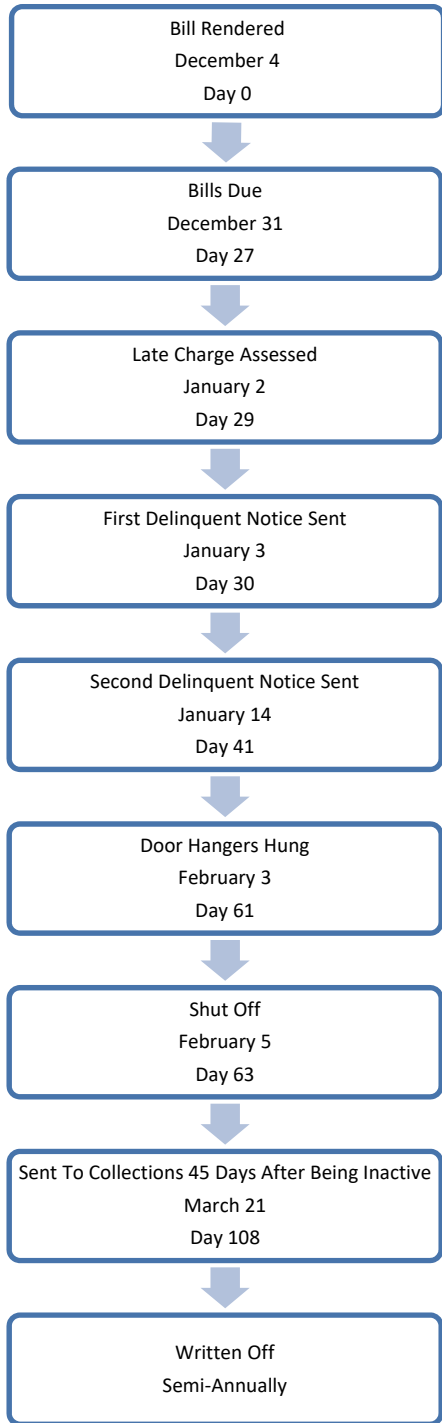
Customers requesting water or sewer service can request new service online at www.centralstateswaterresources.com/start-or-stop-service and follow the directions or a customer can call the customer care number (866) 945-3920 and a billing representative will take customer information over the phone. Confluence Rivers asserts that no deposits are required for service and it does not plan to require deposits in the future.⁴

Confluence Rivers has an established procedure for handling delinquent accounts through write off, although they are not writing off any delinquent funds at this time. The following illustration shows actions that would be taken on delinquent water and sewer accounts:

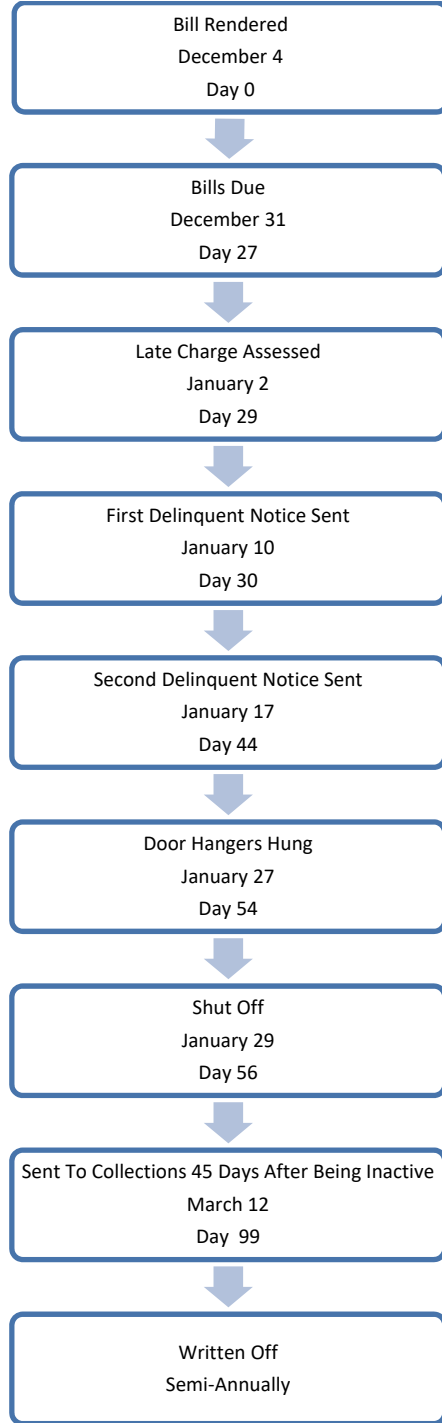
⁴ DR 0055

Delinquent Accounts

Sewer



Water



Complaints and Inquiries

Customers with questions or concerns may call the Company using the telephone number (866) 945-3920 that appears on their bills. If a customer is not satisfied, they will have the opportunity to talk to a supervisor. If the customer is still not satisfied they can talk to the Confluence Rivers Customer Service Manager who will call the customer back to resolve the issue. The customer is also given the Missouri Public Service Commission number and notes are placed in the customer's database file at that time, but no other summary log is kept of customer complaints and inquiries. Commission records for Confluence Rivers' water and sewer service indicate one informal complaint and zero formal complaints.

Customer Communication

Customer bills, special letters (boil order notices, payment agreements, maintenance, etc.), and the Company's website are all ways the Company conveys information to the customer. A Company brochure about rights and responsibilities required by Commission Rule 20 CSR 4240-13.040 is also provided to new customers. CXD Staff reviewed the brochure and it appears to comply with the applicable Commission rules.

Customers may contact Confluence Rivers 24/7 by telephone. The same phone number is accessible during both regular business and after hours. During regular business hours, Monday through Friday 8 a.m. to 5 p.m., customer calls are answered by Nitor customer service representatives. If a customer calls after business hours, the call is routed to a third-party answering service named Endicott. If the call is an emergency, the message will be routed to the appropriate personnel. For all other after hour calls, customers can leave a message and it will be addressed the following business day.

Findings, Conclusions, and Recommendations

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

- Customer Complaint Log

Customer Complaint Log

The Company does not keep a record of customer contacts about any complaints it receives. Confluence Rivers' personnel assert that information is recorded within individual customer accounts but there is no separate log of customer complaints.

Commission Rule 20 CSR 4240-13.040(5) states “A utility shall maintain records on its customers for at least two (2) years which contain all information concerning ... (B) The number and general description of complaints registered with the utility; ...”

The availability of summary information about customer contacts is important for several reasons. A log of customer contacts would enable the Company to meet the Commission rule requirement for recording complaint information. The availability of documented customer contact information would enable Company management to evaluate why customers contact the Company, determine if any corrective measures could be taken to reduce customer contacts, and improve customer satisfaction. The availability of documentation regarding customer contacts would also help to show the Company’s responsiveness in addressing customer issues.

THE CXD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and implement a process to ensure all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall adhere to Commission Rule 20 CSR 4240-13.040 and include the customer name, address, nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint. This recommendation should be completed within thirty (30) days of the effective date of the Commission order.

Disposition Agreement Attachment E
Water and Sewer Department Report

WATER AND SEWER DEPARTMENT

FIELD OPERATIONS AND TARIFF REVIEW

Introduction

For this rate case, Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers or Company) is seeking a rate increase for water and sewer companies for which the Commission approved the acquisition of the assets in Case Number WM-2018-0116. The certificates of convenience and necessity (CCN) from the Missouri Public Service Commission (Commission) for these systems became effective February 24, 2019. Several of these systems were formerly owned by PSC regulated utilities, and for these systems, the effective date of the original CCN is provided as background information.

The Company provides water service to approximately 542 customers in nine certificated service areas within Lincoln, Franklin, Cole, Phelps, Montgomery, Boone and Greene Counties, and sewer service to approximately 627 sewer customers in the service areas within Lincoln, Franklin, Phelps, St. Louis, Montgomery, Greene, and Jefferson Counties.

The water and sewer systems are currently serving Auburn Lake, Calvey Brook Estates, Castlereagh Estates Subdivision (“Mill Creek”), Gladlo Water and Sewer, Lake Virginia Subdivision East, Villa Ridge Estates, The Willows Utility Company, Roy-L Utilities, Smithview (“Kuhle H2O”), Evergreen Lakes, and Eugene.

The Missouri Department of Natural Resources (“DNR”) issued an Abatement Order on Consent (Abatement Order) No. 2019-WPCB-1582 that representatives of Confluence Rivers signed on April 1, 2019. The Abatement Order covers all Confluence Rivers systems except the water system and sewer systems that are located at Majestic Lakes. For the water and sewer systems that are covered by the Abatement Order, the specific deadlines for DNR submittals and the completion of system improvements are linked to the dates of closing on each system. In general, all submittals and system improvements were to be completed no more than 120 days after acquisition. All systems acquired by Confluence Rivers and in this rate case were acquired before June 1, 2019, making the deadline for completing all system improvements no later than September 29, 2019.

The DNR and the Missouri Attorney General required a separate settlement agreement with Confluence Rivers for Majestic Lakes, with a deadline of October 31, 2019 for the completion of system improvements.

To date, most of the system improvements are still under construction, and therefore, the costs of these improvements are not in this rate case. The Abatement Order does provide a mechanism for extending the completion deadlines.¹ Upon becoming aware that a deadline will be missed, Confluence Rivers is required to notify DNR, identify the deadline and the

¹ Abatement Order On Consent No. 2019-WPCB-1582 paragraph 76

reason for failing to meet the deadline, and propose an extension date of the deadline. DNR may grant an extension of the deadline. Deadlines may be extended up to the expiration date of the Abatement Order, March 30, 2020.²

PSC Staff submitted a Sunshine Request to DNR regarding Confluence Rivers' request for deadline extensions and DNR has yet to respond with documentation. From conversations with DNR, it is Staff's understanding that Confluence Rivers has received extensions on the deadlines for completing system improvements and that Confluence Rivers is abiding by the terms of the Abatement Order.

Staff from the Water and Sewer Department investigated the condition of each water and sewer system, including the performance and compliance with drinking water and wastewater environmental regulations. Staff performed inspections of the water and sewer systems on October 22, 24, and 30, 2019, which included an on-site review of capital improvements that were completed and capital improvements still under construction. Staff also reviewed information from DNR's records, including operating permits ("MSOP"), inspections, notices of violations ("NOV"), sampling results and correspondence with the owner/operator via formal sunshine requests.

Staff has received numerous public comments about many of these systems. Three of the systems: Gladlo, Calvey Brook, and The Willows, were the subject of multiple outages and prolonged precautionary boil advisories. The Company explained the boil advisories were due to water main breaks and low pressure events. As a precaution, anytime the operating pressure on a water system falls below twenty pounds per square inch (20 psi) the Company issues a precautionary boil advisory because the water lines could cause a backflow situation and pull contaminants into the pipes. The Company will leave the boil advisory in place until water samples have been collected and confirmed to be absent of any contaminants. Staff has provided more detailed information about each of the three named systems at the end of those respective sections.

Observations and system improvements of each facility since the last systems inspections that occurred during the acquisition case are listed below each system description.

The Willows Service Area

The Commission first granted Willows a CCN to provide water and sewer service on December 27, 1979, in Case No. WA-80-86. Confluence Rivers is currently providing water and sewer service to approximately 151 water customers and 124 sewer customers located in the Chalet City West subdivision and mobile home park in the city of Republic, Greene County, Missouri.

Monthly rates at this system have been in effect since April 1995. Water rates consist of a customer charge of \$5.23 for the first 1,000 gallons, plus \$1.23 per each additional 1,000 gallons. The sewer flat rate for residential customers is \$15.00.

² Abatement Order On Consent No. 2019-WPCB-1582 paragraph 72

Description of Water System

The source of water is a single well with a 200 gallon per minute submersible pump along with chlorine disinfection. Water is pumped directly into the distribution system without chlorine contact time. An 80 foot tall standpipe is located within the distribution system and is not piped directly to the well. The standpipe has a total volume of approximately 47,000 gallons, approximately half of which is usable. A water level below half the height of the tank does not provide sufficient system pressure.

Approximately 30 water customers are metered, but many customers are tenants of the mobile home park and are not metered. The former owner of the mobile home park also originally owned the water and sewer systems. Staff is uncertain how past bills were determined for non-metered customers. Willows had not filed a rate case since 1995 and Staff has not conducted an audit from that time until this current rate case. Based on periodic system inspections, however, Staff surmised that the former owner of the mobile home park provided adequate supplemental revenue from the mobile home park in addition to revenue from metered residential customers to operate the water and wastewater systems.

DNR Permits and Inspections and Abatement Order Status of Water System

The DNR identification number for the Willows drinking water system is MO5048099. There are no outstanding violations associated with The Willows' drinking water system, but Staff has received calls in the past from customers regarding system reliability.

This system was issued a Notice of Violation, dated April 28, 2017, for unpaid Missouri primacy fees. In addition, DNR has received several calls regarding this system including, but not limited to: low pressure, no pressure, air in lines, discolored water, and standing water from water line breaks. DNR staff observed on July 2, 2019, "a significant leak at the meter that needed to be addressed."

Currently, the water system is covered under the Abatement Order signed by Confluence Rivers, which requires that within 120 days after acquisition of Willows PWS, Confluence Rivers is ordered and agrees to maintain a minimum system pressure of 20 psi in accordance with Mo 10 CSR 60-4.080(8). Confluence Rivers shall notify the Department of system pressures below 20 psi within 48 hours of each occurrence in accordance with MO 10 CSR 60-7.010(2). Within 120 days after acquisition of Willows PWS, Confluence Rivers is ordered and agrees to complete necessary repairs and install a chlorine analyzer.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers' proposed improvements for the water system, which was previously estimated to cost \$120,000, include:

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- Making repairs of the well house, inside piping, and pump controls inside the well house.
- Adding a second chlorine pump.
- Enclosing the chlorine and pumping equipment in a separate room.
- Having the standpipe inspected and potentially cleaned and painted.
- Making repairs to the overflow pipe and vent.

Staff Observations of Water System

Staff visited The Willows water system on October 22, 2019. Staff observed that the well house structure had been gutted and rebuilt with a private access door. All internal well house piping has been replaced and Staff was told that the submersible well pump setting has been replaced and the well head rebuilt. Staff observed that a new chlorine shed had been built next to the well house and a chlorine analyzer/controller had been installed. Staff was told that the standpipe had been inspected and the inside recoated. Staff observed that the standpipe had been painted and an access hatch enlarged to meet current code. A tank vent, ladder guard and safety cable and new overflow piping were also installed. The standpipe was surrounded by a locked fence with barbed wire, which was in fair condition.

Staff Recommendations for the Water System

Staff considers the repairs and upgrades to the Willow Water System to be useful and operational. Staff has no other recommendations at this time.

Customer Comments

The Willows in Republic has had a series of boil advisories due to the work the Company has performed on the storage tank, the well house, the distribution system, and replacing the chlorination system into a separate room. The Company states that there have been several leaks in the system as well; some of the leaks are the Company's responsibility, but it states that some of the leaks are the responsibility of the park owners to fix and the park owners have been resistant to fix those leaks.

Description of Wastewater System

The collecting sewers are reportedly all ten inch transite (asbestos-cement composite) pipes which gravity feed to a lift station that pumps all of the wastewater to the above-ground wastewater treatment facility (WWTF).

The sewage is collected from the subdivision and the mobile home park and is then pumped to the elevated treatment plant. The wastewater treatment plant is an extended aeration plant, which operates as a dual parallel plant with an enclosed tertiary sand filter. The tertiary sand filter includes four sand basins. Two sand basins are backwashed by one large concrete water tank. After the water is treated by the sand filters it is chlorinated, dechlorinated and discharged. KY2020-00290_BW_0331

This system has a design population equivalent of 926 people, a design flow of 100,000 gpd, an actual flow of 52,000 gpd, and is located in Greene County, Missouri. Effluent from the treatment facility discharges to a tributary to Pond Creek.

DNR Permits and Inspections and Abatement Order Status of Wastewater System

The Willows wastewater treatment facility's Missouri State Operating Permit MO-0052281 was last issued on June 1, 2017, and expires on June 30, 2021. Data submitted to DNR shows that the effluent discharged from The Willows WWTF failed to consistently comply with permitted effluent limitations for Biochemical Oxygen Demand, E. coli, and Ammonia as Nitrogen. In the past, Staff has observed that the discharge from the treatment facility consistently appears to have adversely impacted the environment. On February 8, 2019, DNR received a complaint that sewage was backing up into a home through the sink, commode and shower, and that this had been occurring for 2-3 weeks.

Under the Confluence Rivers' Abatement Order, Confluence Rivers is ordered and agrees to complete construction of improvements, according to DNR-approved plans and specifications that will allow effluent produced by the facility to comply with final permitted effluent limitations no later than 120 days after acquisition of Willows WWTF.

Proposed Improvements for the Wastewater System from WM-2018-0116

Confluence Rivers' proposed improvements for the wastewater system, was estimated to cost \$225,000, and included unspecified repairs to the treatment plant.

Staff Observations of Wastewater System

Staff visited The Willows wastewater treatment plant on October 22, 2019. Staff observed two holding basins that were formally used. Both basins contained rain water that gravity flows to a lift station that feeds the active wastewater treatment system. Staff observed that general housekeeping has greatly improved and that Confluence Rivers had installed a remote monitoring system at the lift station. On the day of the inspection, the chlorinator was empty, and therefore, not disinfecting the wastewater. The wastewater plant is surrounded by a locked fence. However, the fence has a sizeable hole on its western side.

Staff Recommendation

Staff considers the remote monitoring system to be complete at the time of its inspection. Staff recommends that the fence be repaired, and any further repairs be completed so as to ensure compliance with DNR regulations.

The Commission granted Gladlo a CCN to provide water and sewer services in October 1972 in Case Nos. 17,458 and 17,459. Gladlo, located near Rolla, Missouri, in Phelps County, was in receivership for nine years. Confluence Rivers currently provides service to approximately 69 water customers and 65 sewer customers in the Whispering Pines subdivision.

The current monthly water and sewer rates have been in effect since May 18, 2017. Water rates for customers consist of a monthly customer charge of \$17.25 for the first 1,000 gallons, plus \$2.15 per each additional 1,000 gallons. The monthly sewer flat rate for residential customers is \$37.67.

Description of Water System

The source of water is a single well with a 50 gallon per minute submersible pump. The well is not required to employ chlorine disinfection. The water system has a 1,000 gallon pneumatic tank to normalize distribution system water pressure. A concrete storage tank, adequate to provide a one-day volume of water along with high service pumps, is degraded and is no longer in service. All water customers are metered.

DNR Permits and Inspections and Abatement Order Status of Water System

Gladlo's drinking water system operates under the identification number MO3036151. There are no outstanding DNR violations associated with Gladlo's drinking water system. The Confluence Rivers Abatement Order does not require improvements of the Gladlo water system.

Staff Observations of Water System

Staff conducted an inspection of this site on October 22, 2019. The well house was locked and could not be accessed. Staff observed the outside of the well house and the access road. The access road was in fair condition. The access road and well house were not surrounded by a fence. No upgrades of the water system were observed during this inspection.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers' proposed improvements for the water system, estimated to cost \$85,000, include:

- Repairing the well house.
- Making further upgrades to electrical components.
- Installing chlorine equipment.
- Repairing and painting the existing hydropneumatic tank.
- Installing remote monitoring operations equipment.
- Possibly rehabilitating, or replacing the concrete ground storage tank, along with other components necessary to put it back into service.

Staff Recommendation for the Water System

None of the proposed improvements have been made at this time.

Customer Comments

Gladlo has experienced a number of outages and was placed on a precautionary boil advisory from October 29 to December 16. On October 29, the Company switched the water system from the pressure tanks in the well house to a ground storage tank, which had been rehabilitated, in order to provide a larger volume of water storage to the customers. It had been noted by DNR for many years that the water system had insufficient storage and the Company was attempting to remedy that. The samples taken from the water in the storage tank were not showing any contaminants but the water in the distribution system was not achieving passing samples consistently. To be safe, the Company issued a boil advisory and began adding chlorine to the system to disinfect the water and eliminate any bacteria that might be in the distribution system. The Company continued working on the problem and testing the water until it was finally comfortable with the results it received and lifted the boil advisory on December 16.

Description of Wastewater Treatment System

The existing wastewater is treated by a three cell lagoon with chlorine disinfection. The system has a design flow rate of 23,680 gallons per day. The collecting sewers are all eight inch clay tile which gravity feed to the lagoon.

DNR Permits and Inspections and Abatement Order Status of Wastewater System

Gladlo's wastewater treatment facility's Missouri State Operating Permit is MO-0084191, was last issued on January 1, 2016, and expires on December 31, 2020. The facility failed to comply with effluent limitations for Total Residual Chlorine in 2017. On August 10, 2018, DNR issued Construction Permit No. CP0001981 for construction improvements at the wastewater treatment system. The facility will need to meet new permit requirements for ammonia beginning January 1, 2020. Under Confluence Rivers Abatement Order with DNR, Confluence Rivers has within 120 days after acquisition of the Gladlo wastewater treatment system to comply with the final permitted effluent limitations.

Proposed Improvements for the Wastewater System from WM-2018-0116

Confluence Rivers' proposed improvements for the waste water system, estimated to cost \$150,000, include:

- Installing a moving bed bioreactor to meet new discharge limits.
- Installing aeration equipment in the second cell of the lagoon for adequate treatment.

- Installing remote operations monitoring.
- Making repairs to the all-weather access road

Staff Observations of Wastewater System

Staff observed that Confluence Rivers is in the process of constructing improvements at the wastewater treatment system according to DNR-approved plans and specifications. The wall between the second and third cell was widened to allow heavy equipment travel for the installation of a moving bed biofilm reactor (MBBR), clarifier tank and associated equipment. The first cell was covered approximately 25% with algae. The second cell was covered approximately 50% with algae. The third cell was covered approximately 75% with algae. The markings on the MBBR and clarifier tanks indicated that they were 12.5 feet and 13 feet deep, respectively. CRU is planning to use ultraviolet light for disinfection, with the ability to chlorinate as a backup.

Staff Recommendation

The wastewater treatment system is out of compliance and in need of upgrades for reliability and compliance. Staff is monitoring Confluence Rivers' construction efforts, in this regard and has no recommendations at this time.

Eugene Service Area

The Eugene service area is for water only, and is located in Cole County, Missouri. The City of Eugene disincorporated as a city in the late 1990s and is located in southwestern Cole County approximately 20 miles from Jefferson City. It owned and operated a municipal water system until disincorporation, at which time Cole County assumed ownership and operations. Confluence Rivers then purchased the water system from Cole County. The system serves an estimated 220 customers through 45 connections.

Per the current tariff, Confluence Rivers charges the Eugene customers \$26.00 for the first 1,999 gallons per month, plus \$6.00 per 1,000 gallons for all usage above 1,999 gallons.

Description of Water System

The system has two wells, with each having well houses, and a submersible pump with a 70 gallons per minute (gpm) and 190 gpm production capacity, respectively. This system has one 25,000 gallon 40-foot tall standpipe storage tank that maintains water pressure by gravity, and meters for each customer. The water is not disinfected.

DNR Permits and Inspections and Abatement Order Status of Water System

There was one routine monitoring violation in March 2018, but the system was returned to compliance in April 2018. Eugene's DNR identification number is MO3010257. Under the Confluence Rivers' Abatement Order, within 120 days after

acquisition of Eugene Public Water Supply, Confluence Rivers was ordered and agreed to complete necessary repairs to the storage tank and install well house piping.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers proposed improvements for the water system include:

- Installation of magnetic-type master meters at each well head that can be used for remote monitoring,
- Piping and valve rehabilitation and improvements at the well houses along with other well house rehabilitation and modifications,
- Cleaning and painting the storage tank along with making some relatively minor modifications, and
- Installation of distribution system valves in certain locations.

Staff Observations of Water System

Staff inspected this water system on October 22, 2019. Staff observed that the remote monitoring had been installed and some painting and repairs had been made on the storage tank.

Staff Recommendation to the Water System

Staff considers the installation of the remote monitoring and storage tank repairs to be complete. Staff recommends remaining improvements necessary to ensure compliance with DNR requirements be completed as soon as practicable.

Smithview Service Area

Smithview was originally named Suburban Water and Sewer Company, Inc. before a corporation name change to Smithview H2O Company was made on May 27, 2011, and authorized by the Commission in Case No. WN-2011-0353. The Commission granted the initial CCN to Smithview on April 12, 1973 in Case No. 17,652. Smithview H2O is also formerly known as Kuhle H2O.

Confluence Rivers currently provides water service to approximately 108 residential and apartment customers in Bon-Gor Lake Estates. This utility is located approximately three miles north of the city limits of Columbia, Missouri, in unincorporated Boone County.

The current monthly water rates, which have been in effect since May 27, 2011, are as follows: Customer Charge \$5.31 Commodity Charge \$3.36 per 1,000 gallons.

Description of Water System

Some apartment units are individually metered, and some multi-unit apartment buildings have water service through one meter. The source of water is a single well with a 100 gallon per minute submersible pump. The recently constructed well house has multiple doors, contains multiple small heater units, and has a portable chlorination system. Water is stored in a 110 foot tall standpipe with a total volume

of 41,000 gallons, and has a usable volume of approximately 24,000 gallons. Water in the tank below this volume would not provide sufficient system water pressure.

There is a physical wholesale connection with a local public water district, Consolidated Public Water District No. 1 (CPWSD 1). The cross connection is a metered valve and backflow preventer situated inside a small insulated shed with an electrical connection to allow a heater to be utilized. The connection was originally intended for interim emergency or backup use, however CPWSD 1 currently prohibits Smithview any use of the connection due to billing issues with the former owners of Smithview.

DNR Permits and Inspections and Abatement Order Status

The DNR identification number for Smithview drinking water system is MO3036153. In the past, the owner of this system failed to submit monthly drinking water samples to DNR. Also, there have been complaints about leaky water meters.

The Confluence Rivers Abatement Order requires Confluence Rivers to complete within 120 days after acquisition of Smithview, necessary repairs, reconstruct the well house, install a chlorine analyzer and improve security measures around the well house.

Proposed Improvements from Case WM-2018-0116

Confluence Rivers' proposed improvements for the water system, estimated to cost \$146,000, include:

- To build a new well house and a separate chlorination room,
- Install a chlorine analyzer, and
- Inspect/repair the existing water tower, and install new flushing hydrants.

Staff Observations

Staff visited Smithview on October 22, 2019. Staff observed that the water tower was freshly painted, the well house and chlorine shed were recently built and grass seed was recently planted. The fence around the tower was unlocked. Also, the fence was in poor condition and needs repair. The well house and shed were not surrounded by a fence, but the doors to both of the buildings were locked.

Staff observed/was informed of the following new construction for the water facility:

- Failed well casing removed and pitiless unit was removed.
- Submersible well pump setting replaced.
- Well house and all internal piping and electrical replaced.
- Underground yard piping replaced.
- Elevated tank inspected, power washed and waiting on sweating to stop to allow final paint application.

- Repaired overflow of tank.
- Installed new three phase electrical service.
- Installed remote monitoring.

Staff Recommendation

Staff considers the capital improvements listed above to be complete for the water facility. Staff recommends the fence upgrade/repair be completed as soon as practicable.

ROY-L Service Area

The Commission first granted Roy-L its CCN to provide water and sewer service on August 27, 1968, in Case Nos. 16,379 and 16,380. Confluence Rivers currently provides utility service to approximately 59 water customers and 56 sewer customers, 21 of which are full-time residents, in the Golden Eagle Reserve subdivision near the city of High Hill in Montgomery County. The current water service rate for all customers is: metered full-time \$33.24, metered part-time \$29.92 (both with a usage charge of \$3.08 per 1,000 gallons water used); non-metered full-time \$50.16 and non-metered part-time \$32.99. The current sewer rate to any customer is: full-time \$36.04; part-time \$32.58.

Description of the ROY-L Water System

The source of water is a single well with a 120 gallon per minute submersible pump. The well does not require chlorine disinfection. Water is stored in an 18,000 gallon ground storage tank, with a high service pump and a 116 gallon hydropneumatic tank to normalize distribution system water pressure. The water is chlorinated prior to flowing into the storage tank. Currently 32 water customers are metered and 28 water meters are yet to be installed.

DNR Permits and Inspections and Abatement Order Status

Roy-L's drinking water system operates under the DNR identification number MO6251710. In the Confluence Rivers Abatement Order, Confluence Rivers has been ordered to install a booster pump and chlorine analyzer.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers' proposed improvements for the water system are estimated to cost \$90,000, and include:

- Adding a second chlorine pump.
- Enclosing the chlorine and pumping equipment in a separate room.
- Install a second high service pump.
- Install remote water system operations monitoring.

Staff Observations

Staff observed on-going well house piping upgrades and internal framing construction/repair inside the well house. Confluence Rivers is installing new well house pump, piping, hydropneumatic tank, and chlorine monitoring equipment. Also, the Company is performing well house interior framing construction rehab, upgrading electrical conduits and outlets, and installing window unit temperature control.

Staff Recommendation

The listed improvements are under construction and not yet used and useful. Staff recommends the improvements listed in the Abatement Order be completed as soon as practicable.

Description of the ROY-L Sewer System

The sewer system consists of a single cell lagoon with a design flow of 19,999 gpd. The collection system is composed of clay tile pipe and Staff is aware of significant inflow and infiltration impacts. The system discharges treated wastewater to a tributary of Bear Creek.

DNR Permits and Inspections and Abatement Order Status

Roy-L's wastewater treatment facility's Missouri State Operating Permit number is MO-0087211 and was last issued on August 1, 2016, and expired on June 30, 2019. The facility failed to comply with effluent limitations for Total Residual Chlorine in 2017. The current permit requires effluent to comply with final limitations for Ammonia as Nitrogen by August 1, 2020. The ammonia monitoring data provided to DNR indicates that the current lagoon treatment facility will not be able to produce an effluent that will comply with DNR's standards. The Confluence Rivers Abatement Agreement indicates that the system violated permitted effluent limitations.

DNR Construction Permits

On August 1, 2018, DNR issued Construction Permit No. CP0001977 for construction of improvements at the Roy-L wastewater treatment system to achieve compliance with final permitted effluent limitations for ammonia. Confluence Rivers will install a MBBR followed by a clarifier and ultraviolet disinfection. DNR considers this a demonstration project because the current DNR design guides 10 CSR 20-8 do not contain design parameters for an MBBR. As a demonstration project, operating data will be used to develop DNR design criteria for future projects.

Proposed Improvements to the Roy-L

Confluence Rivers' proposed improvements for the waste water system are estimated to cost \$130,000, and include:

- Constructing a moving bed bio reactor to supplement wastewater treatment.
- Performing repairs to the collection system to minimize inflow and infiltration.

Staff Observations

Staff observed that brush had been cleared as part of site preparations for the construction of system improvements. Staff observed a depressed area of the lagoon berm that needs to be filled and restored to grade. Construction is underway for installing a moving bed bioreactor and UV disinfection.

Staff Recommendation

The system improvements are under construction and are not yet used and useful. Staff recommends construction of upgrades be completed as soon as practicable.

Mill Creek Service Area

Mill Creek Sewers, Inc. received its original CCN on May 7, 1973, in Case No. 17,666. Prior to the Confluence Rivers acquisition, Mill Creek had been in state-appointed receivership for 7 years. Confluence Rivers provides sewer service to approximately 75 customers in the Castlereagh Estates subdivision within the city limits of Florissant in St. Louis County. The current monthly rate for sewer service is: \$30.11.

Description of the Mill Creek Sewer System

The wastewater treatment plant is an extended aeration plant with a design population equivalent of 277, a design flow of 27,700 gpd, and an actual flow of 14,000 gpd. The system discharges treated wastewater to a tributary of Mill Creek.

DNR Permits and Inspections and Abatement Order Status

The Mill Creek WWTF's Missouri State Operating Permit MO-0084484 was issued on October 1, 2019, with an expiration date of March 31, 2021. Prior to October 1, 2019, this facility was considered to be operating without a permit, in violation of the Missouri Clean Water Law, until being taken out of service for repairs and upgrades. Under the Confluence Rivers' Abatement Order, Confluence Rivers is ordered and agrees to complete construction of improvements, according to DNR-approved plans and specifications that will allow effluent produced by the facility to comply with final permitted effluent limitations no later than 120 days after acquisition of the Mill Creek wastewater treatment facility.

DNR Construction Permits

CP0001974 was issued August 7, 2018, and expires August 6, 2020. This authorization covers the addition of ultraviolet disinfection, flow equalization and screening. Aeration is being replaced with new motors/blowers and fine bubble diffusers for the aeration tank and coarse bubble diffusers for the sludge holding tank. Other mechanical and electrical components will also be updated.

Proposed Improvements to the Mill Creek Sewer System from WM-2018-0116

Confluence Rivers' proposed improvements for the wastewater system were previously estimated at \$290,000, to include:

- Replace existing blowers.

- Install new aeration system.
- Add flow equalization chamber.
- Install ultraviolet disinfection.
- Implement smoke testing of collection system.

Staff Observations

On October 24, 2019, Staff observed that construction was in progress. Staff noted that sewage is being hauled by a vacuum truck for off-site disposal during construction.

Staff Recommendation

The system improvements are under construction and are not yet used and useful. Staff recommends construction be completed as soon as practicable.

Majestic Lakes Service Area

Majestic Lakes is a residential area located southeast of Moscow Mills. The water and wastewater systems serve a residential area of approximately 400 acres with about 60 single family residences. The system was owned and operated by Majestic Lakes Homeowners Association until the Commission granted a CCN to Confluence Rivers February 14, 2019. The current rate for water service is \$35.00; the current rate for sewer service is \$35.00.

Description of the Majestic Water System

The Majestic Lakes water system consists of a deep well currently providing an estimated 500 gpm to a 110' tall stand pipe with a capacity of 420,000 gallons and a well house. The stand pipe is bolted steel construction, and is showing signs of rust on the outside. There was a small leak in the stand pipe approximately three quarters of the way up. Pressures are between 41 and 68 psi at various elevations. The system is reported to convey through 6" PVC mains and disinfection is currently by sodium hypochlorite.

DNR Permits and Inspections and Abatement Order Status

The Majestic Lakes water system operates under DNR identification number MO-6031412 with a permit to dispense water to the public issued by DNR on June 13, 2019. A review of the files received from a DNR Sunshine request showed no Notices of Violation concerning the operation or safety of the water system. The water system is not referenced in the Confluence Rivers' Abatement Order.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers' proposed improvements for the water system were previously estimated to cost \$120,000 and included:

- Repairs to stand pipe panels and bolts.
- Replace Well Starter.
- Purchase redundant chlorine pump.
- Install remote monitoring.

Staff Observations

On October 24, 2019, Staff observed that the stand pipe had been patched in several places and the leak had been repaired. Staff was told by Confluence personnel that the submersible well pump setting had been replaced. Staff observed no other changes to the well house structure or above-ground facilities. Staff observed that there is a separate, vented room for sodium hypochlorite storage and that the sodium hypochlorite tank had secondary containment. The storage room and equipment appeared to be in good condition.

Except for repairs to the stand pipe and replacing the well pump setting, no other repairs or improvements were complete. From Confluence Rivers, Staff has learned of Confluence Rivers' plans for installing a Miox [tr] system for onsite generation of chlorine for disinfection and a chlorine analyzer.

Staff Recommendation

Some of the repairs and upgrades that Confluence Rivers is planning for Majestic Lakes water system will not be completed in time for cost recovery in this case. Staff considers the repairs to the standpipe, and replacement of the well pump setting to be complete. It is Staff's opinion that the existing disinfection system using sodium hypochlorite is operational and sufficient to disinfect Majestic Lakes' water supply. Confluence Rivers must provide sufficient evidence of the need for the proposed Miox [tr] system for onsite generation of chlorine used for disinfection and a chlorine analyzer in the next rate case for Staff to recommend cost recovery of these systems.

Description of Majestic Lakes Sewer System

The collection system consists of 8" PVC gravity collecting sewers with manholes, which drain to a lift station. The lift station then pumps the sewage via 6 inch force main to the waste water treatment facility, which is located approximately 125 yards away on the other side of a creek. The facility is a sequencing batch reactor which treats and discharges predetermined volumes or 'batches' of wastewater before discharge. The system also has a sludge holding cell, flow equalization cell, and ultraviolet disinfection. The facility has a design flow rate of 79,000 gpd with a population equivalent of 790 per the permit. The plant's effluent discharges into Crooked Creek.

Because of failing parts and structure, however, it is currently being operated in an extended aeration process, which is a continuous treatment process. The treatment facility is a cast-in-place concrete construction. During a past inspection, Staff observed large cracks in the concrete walls of the plant structure. Some structural steel has been added to the exterior of the wall in an attempt to shore it up. A backup generator is located at the lift station but was rendered inoperable after it was flooded and damaged in 2008.

DNR Permits and Inspections and Abatement Order Status

The Majestic Lakes treatment system is not part of the Confluence Rivers Abatement Order. The Majestic Lakes treatment system is currently under a Missouri Attorney General enforcement action. This enforcement action is for failure to repair the

treatment system. Majestic Lakes development had been under a moratorium for home construction or additional development until the failing concrete structures of the plant were rehabilitated. Confluence Rivers has a settlement agreement with DNR and the Missouri Attorney General, with a deadline of October 31, 2019, for the completion of system improvements.

An April 4, 2019, DNR inspection resulted in a Letter of Warning. LOW #1 was issued for the facility operating without a permit (expired November 30, 2018); LOW #2 was issued for wastewater solids outside of the flow equalization basin and no active aeration.

Proposed Improvements to Majestic Lakes Sewer System from WM-2018-0116

Confluence Rivers' proposed improvements for the water system, were previously estimated at \$300,000 and included:

- Raising the lift station and diesel generator above the flood plain.
- Rehabilitating the concrete structures of the treatment plant.

Staff Observations

Staff observed that the lift station facilities and backup generator were being raised above flood plain elevation. Staff observed that Confluence Rivers has restored the integrity of the concrete structures with the addition of more structural steel bracing. Confluence Rivers told Staff that an application for a new permit has been submitted to DNR.

Staff Recommendation

Repairs to stabilize the concrete are complete. Work at the lift stations continues and is not considered used and useful.

Auburn Lake Service Area

Auburn Lake Estates is a relatively new development located in Lincoln County south of the City of Troy, Missouri. The system serves a residential area of approximately 150 acres and is presently planned to have 182 lots at full buildout. The subdivision project began in approximately 2008, but home construction was delayed due to the recession. Construction resumed in approximately 2017 and is still in progress. No entity previously sought a CCN for Auburn Lakes until the acquisition by Confluence Rivers. The current monthly rate for water service for all customers is: \$37.50. The current monthly rate for sewer service for all customers is: \$37.50.

Description of the Auburn Lake Water System

The water system consists of a 10" diameter deep well with a submersible pump currently providing an estimated 100 gpm with a 10 hp pump. This well could support a much larger pump, which if needed could replace the existing pump if the subdivision and customer levels grow as expected. A 6,350 gallon hydropneumatic tank and booster pump provide system pressure. Currently, the pump is operating in an on/off range of 51 to 70 psi. At 51 psi, the static pressure range in the system is 35 psi at the high points and 92 psi at the lowest elevation. Sodium hypochlorite is

used for disinfection prior to distribution and the equipment is housed in a separate room of the well house. A chlorine analyzer is in service for continual monitoring. The distribution system consists of 4" and 6" PVC water mains.

DNR Permits and Inspections and Abatement Order Status

The Auburn Lake water system operates under permit number MO6031409 with an Effective Begin Date of October 11, 2019, for its Permit to Dispense. Staff's review of DNR documents provided through a Sunshine Request showed no notices of violations and no letters of warning. Under the Confluence Rivers Abatement Order, Confluence Rivers was required to submit a completed permit to dispense application.

Proposed Improvements to the Auburn Lake Water System

Confluence Rivers has proposed installing remote monitoring, a chlorine analyzer and a master flow meter.

Staff Observations

The Auburn Lake Estates water system is in good repair with little additional improvement necessary. The remote monitoring and the chlorine analyzer have been installed and are operational.

Staff Recommendation

The remote monitoring and chlorine analyzer are installed and operational. Staff has no further recommendations for this system.

Description of the Auburn Lake Wastewater Treatment System

The sewer system consists of gravity sewers and a 90,000 gallon per day extended aeration treatment facility.

DNR Permits and Inspections and Abatement Order Status

The treatment facility operates under permit number MO-0129356. Staff reviewed DNR documents provided through a Sunshine Request, which showed no notices of violations and no letters of warning. In Confluence Rivers Abatement Order, there is no requirement for Confluence Rivers to improve the facility.

Proposed Improvements to the Auburn Lake Sewer System

There are no proposed improvements. Since the Auburn Lake Estates sewage treatment facility has existed for approximately 10 years but has not been operated, until recently, the mechanical, aeration and electrical components could require minor repairs.

Staff Observations

Development at the Auburn Lake Estates resumed in 2017 at which time the treatment facility became operational. MO-0129356 was issued August 1, 2017, and the plant is currently operating, though not at full design. Staff observed that the blower house and controls building is currently under repair.

Staff Recommendation

There are no Staff recommendations for construction or operation at this facility.

Calvey Brook Service Area

Calvey Brook Water, Inc. obtained a CCN in Case No. WA-2004-0280 and Calvey Brook Sewer, Inc. obtained a CCN in Case No. SA-2004-0279. These two corporations, referred to together as the “Calvey Brook regulated utilities,” were created by a developer to provide water and sewer service in Calvey Brook Estates, near Robertsville in Franklin County, MO. The service area consists of a 36-lot subdivision, however, most of the lots remain undeveloped, and presently, service is being provided to nine homes.

Approved water rates for this service area consist of a \$36.36 per month customer charge that includes 3,000 gallons, plus \$2.05 per 1,000 gallons over 3,000 gallons usage. There is also a connection fee of \$600 to pay for a water meter and installation of water meter setting components.

The approved flat rate for this service area is \$33.78 per month. There is a connection charge of \$2,600 to pay for installation of the required septic tank along with connection to the collecting sewer.

Description of Water System

The source of water is a single well with a submersible pump that produces 64 gallons per minute (gpm), a ground storage tank of 12,500 gallons volume, two high service pumps to pressurize the distribution system, and a 1,000 gallon hydropneumatic tank to maintain water pressure.

DNR Permits and Abatement Order Status of Water System

The Calvey Brook drinking water system operates under Missouri State Operating Permit number MO 6031385. There are no outstanding violations associated with this water system. Currently, an Abatement Order from DNR, signed by Confluence Rivers, states: “Within 120 days after acquisition of Calvey Brook Estates PWS, the Respondent is ordered and agrees to replace the well house piping, install a remote monitoring system, and install a hand/on/off auto switch for the well head”.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers’ proposed improvements for the water system were previously estimated to cost \$14,000 for repairs and upgrades and include:

- Installing Mission monitoring system.
- Replacing internal piping and flow meter inside the well house.

Staff Observations of the Water System

Staff visited the Calvey Brook water system on October 30, 2019, where it observed that the Mission monitoring system had been installed. Confluence Rivers still has some work to complete inside the well house to replace internal piping.

Staff Recommendation

Staff has no further recommendations at this time.

Customer Comments

Calvey Brook had a precautionary boil advisory issued on May 23 because a routine water sample did not pass. The Company flushed the system and continued to test the water until it received good results. On May 28 the well results were good but the distribution system failed at three different sites. The Company continued to work on the system to achieve passing results. Samples taken on June 5 tested absent and the boil advisory was lifted two days later. Test results were clean until a breaker tripped in the well house on June 29. A precautionary boil advisory was issued again due to the drop in water pressure. This boil advisory was in place until July 19 when the Company was finally able to get passing results from the water samples. The next boil advisory was issued September 19 when a routine sample failed. Due to the inconsistencies of the water in this system, the Company installed a chlorination system to disinfect the water. The boil advisory was lifted on September 20. The Company has had consistent results since installing full-time chlorination on the water system. The Company also told Staff of an incident on November 16 when a customer reported brown water coming out of the taps. This brown water was most likely caused by the chlorine oxidizing the iron that had settled in the tank and pipes over a number of years. The Company intends to flush the mains every two months to help force the iron out of the system. The Company noted that the last brown water report was October 2, 2018. In an effort to keep costs down and return the water system to its original condition, the Company removed the chlorination on December 3 and issued a precautionary boil advisory until it was able to receive passing samples from the water system without chlorine. The test results from December 5 showed that the water was clean and the boil advisory was lifted the next day.

Description of Wastewater Treatment System

Each home in the Calvey Brook service area has its own septic tank that partially treats sewage and allows solids to settle. The effluent from the septic tank flows into a gravity collecting sewer where it is transported to the treatment facility. The sewer system provides treatment using an AdvanTex filter capable of handling 10,000 gallons of wastewater per day; however, it currently only receives about 1,900 gallons per day. The facility does not currently disinfect the treated wastewater before it is discharged.

DNR Permits and Abatement Order Status of Wastewater System

The Calvey Brook wastewater system operates under Missouri State Operating Permit number MO-01350095. According to a DNR inspection performed September 25, 2017, the fencing around the treatment facility was “inadequate to restrict entry to the facility by children, livestock, and unauthorized persons as well as to protect the facility from vandalism”. The report also concluded that the facility was exceeding its permitted effluent limits which was causing pollution to Little Calvey Creek. Currently, the Confluence Rivers Abatement Order states: “Within 120 days after issuance of a construction permit for Calvey Brook Estates WWTF, the Respondent is ordered and agrees to complete construction of improvements, according to Department-approved plans and specifications that will allow effluent produced by the WWTF to comply with final permitted effluent limitations”.

Proposed Improvements for the Sewer System from WM-2018-0116

Confluence Rivers’ proposed improvements for the waste water system were previously estimated to cost \$37,500 for repairs and upgrades and include:

- Fence repairs.
- Installing an ultra violet disinfection system.
- Installing the Mission monitoring system.
- Installing a flow meter.

Staff Observations of the Wastewater System

Staff visited the Calvey Brook wastewater system on October 30, 2019 where it observed that fencing had been installed. The Company stated that it has more work to do here to fulfill its obligations.

Staff Recommendation

The system improvements are under construction and are not yet considered used and useful.

Lake Virginia Service Area

In Case No. SM-87-52, the Commission granted MPB a CCN for the Lake Virginia sewer system on January 16, 1987. On September 7, 2013, operations of Lake Virginia and the Villa Ridge system were placed under the control of an interim receiver, Johansen Consulting Services, LLC, pursuant to an order of the Commission in Case No. SO-2014-0052.

After Confluence Rivers and the receiver entered into a sale agreement for two sewer systems (Lake Virginia and Villa Ridge), CSWR entered into an operations contracts with the receiver to maintain the Lake Virginia and Villa Ridge systems.

The Lake Virginia sewer system has approximately 37 customer connections in the Lake Virginia subdivision, located outside the city limits of Festus and north of Hematite in Jefferson County.

The current monthly flat sewer rates, which have been in effect since November 1, 2014, are \$13.33 for the Lake Virginia Ridge system and \$13.13 for the Lake Virginia system.

Description of Sewer System

There are two adjacent wastewater treatment systems at present. Some of the customers are connected to a single cell unpermitted lagoon. The remainder of the customers are connected to a permitted two-cell lagoon with a discharge permit. Confluence Rivers is in the process of routing the effluent of the unpermitted, single-cell lagoon to the permitted two-cell lagoon, making a single, permitted outfall for the system. The collecting sewers are eight inch and six inch pipes comprised of PVC and truss pipe, another type of plastic pipe, which gravity feeds to its respective lagoon. The design flow for the lagoons is 9,600 gallons per day (gpd) but the actual flow is only 1,150 gpd.

DNR Permits and Abatement Order Status of Sewer System

The most recent DNR inspection of the Lake Virginia WWTF, operating under MSOP number MO-6036134, was conducted on March 8, 2017. The facility was found to be in non-compliance with the Missouri Clean Water Law, the Missouri Clean Water Commission regulations, and it's Missouri State Operating Permit. DNR issued NOV #SL170134. The NOV listed the following violations:

- Discharge of domestic wastewater from a non-permitted outfall.
- Failed to provide a method to dechlorinate the effluent following the chlorine contact chamber.
- Failed to provide a lockable gate.
- Failed to provide adequate fencing.
- Failed to maintain the inner slopes of the lagoon.

The Confluence Rivers Abatement Order requires that within 120 days after acquisition of Lake Virginia Subdivision East WWTF, the Respondent is ordered and agrees to complete construction of improvements, according to Department-approved plans and specifications that will allow effluent produced by the WWTF to comply with final permitted effluent limitations.

Proposed Improvements for the Sewer System from WM-2018-0116

Confluence Rivers proposes an estimated expenditure of at least \$300,000 combined to address the problems, and proposed improvements, for both the Lake Virginia and Villa Ridge systems. Staff did not receive an itemized account for each system. Confluence Rivers' proposed improvements for both Lake Virginia and Villa Ridge were previously estimated to cost \$300,000. Lake Virginia repairs and upgrades include:

- Connect unpermitted lagoon to permitted lagoon to attain compliance.
- Installing a MBBR for additional treatment to meet permitted effluent limits.
- Install chlorine disinfection and dechlorination prior to discharge.
- Make necessary repairs to fence and gate.

Staff Observations of the Sewer System

On October 30, 2019, Staff inspected the Lake Virginia wastewater system and observed that the wastewater system did not have dechlorination equipment installed, failed to provide a lockable gate and adequate fence to restrict unauthorized access, and failed to maintain the inner berm slopes of the lagoon as described by DNR. Staff did observe a considerable amount of construction in progress to install pipe in the ground from the unpermitted lagoon to the two-cell lagoon as well as the placement of the MBBR and clarifier though none of the above mentioned were in service at the time of the inspection. Staff also walked the system with a customer and observed the collecting sewers and manholes are very shallow. The Company indicated it would like to address this issue.

Staff Recommendation

The system improvements are under construction and are not yet considered used and useful. Staff recommends addressing the depth of collecting sewers in any location where structural integrity is in jeopardy from normal surface activities.

Villa Ridge Service Area

After Confluence Rivers and the receiver entered into a sale agreement for the two sewer systems (Lake Virginia and Villa Ridge), CSWR entered into an operations contracts with the receiver to maintain the Villa Ridge systems.

The Villa Ridge sewer system has approximately 168 customer connections in the Villa Ridge Estate subdivision in Villa Ridge in Franklin County, Missouri.

The current monthly flat sewer rates, which have been in effect since November 1, 2014, are \$24.24 for the Villa Ridge system

Description of Sewer System

The treatment facility is an extended air plant with chlorination. The collecting sewers are all eight inch pipes of various materials which gravity feed to the treatment plant. The design flow for this treatment plant is 66,600 gpd but the actual flow is 24,900 gpd.

DNR Permits and Abatement Order Status of Sewer System

The most recent DNR inspection of the Villa Ridge WWTF, operating under MSOP number MO 0038237 found the treatment facility to be out of compliance because it was discharging sludge into waters of the state and the effluent exceeded permitted limitations.

In the 2017 DNR inspection, the facility was issued a NOV for failure to comply with the Missouri Clean Water Law, the Missouri Clean Water Commission regulations, and its Missouri State Operating Permit DNR issued NOV #SL170206. The Confluence Rivers Abatement Order requires that within 120 days after acquisition of Villa Ridge agrees to complete construction of improvements

according to DNR-approved plans and specifications that will allow effluent produced by the waste water treatment facility to comply with final permitted effluent limitations.

Proposed Improvements for the Sewer System from WM-2018-0116

Confluence Rivers proposes an estimated expenditure of at least \$300,000 combined to address the problems, and proposed improvements, for both the Lake Virginia and Villa Ridge systems. Staff did not receive an itemized account for each system. Confluence Rivers' proposed improvements for both Lake Virginia and Villa Ridge were previously estimated to cost \$300,000. Villa Ridge, repairs and upgrades include:

- Upgrading the existing plant to meet effluent limits for ammonia and e coli.
- Refurbishing the structure of the plant to prevent inflow and infiltration.
- Cleaning out the chlorine contact chamber.
- Replacing the blowers and rebuilding the aeration system.
- Performing repairs to the collection system to minimize inflow and infiltration.
- Making repairs to the clarifier.

Staff Observations of the Sewer System

On October 30, 2019, Department Staff inspected the Villa Ridge facility and observed that work was being performed to make the necessary upgrades to the treatment plant. The new aeration system had been delivered but was not installed. A grinder had been delivered but was not installed. The circular clarifier was in need of repairs to operate correctly. Pipe and rock were on site to be used as needed in the future. A concrete pad had been poured for the new blowers.

Staff Recommendation

The system improvements are under construction and are not yet used and useful. Staff has no additional recommendations at this time.

Evergreen Lake Service Area

On June 15, 1970, in Case No. 16,916 the Commission granted a CCN to Evergreen Lake Water Company a division of Evergreen Lake, Inc. (Evergreen). Evergreen provides water service to approximately 52 customers in the Evergreen Lake Subdivision near Cedar Hill, in Franklin County, Missouri.

The current monthly water rates for the Evergreen system, which have been in effect since October 27, 2005, are as follows: Residential - Customer Charge \$7.71, Commodity Charge per 1,000 gal \$2.54, Commercial - Customer Charge \$7.71, and Commodity Charge per 1,000 gal \$2.54.

Description of Water System

The source of water is a single well with a 230 gallon per minute pump.

along with chlorine disinfection. Water is stored in a concrete ground storage tank adjacent to the well house which has a capacity of 27,000 gallons. The tank is located on a hill and pressure to the customers is maintained by gravity. Each residential customer is metered. The service area contains a mobile home park with approximately 40 mobile home living units which is considered one customer because it is served through one meter.

DNR Permits and Abatement Order Status of Water System

The Evergreen drinking water system operates under Missouri State Operating Permit number MO6036134. There are no outstanding violations associated with this water system. Currently, an Abatement Order from DNR, signed by Confluence Rivers, states: “Within 120 days after acquisition, the Respondent is ordered and agrees to complete necessary repairs and install a chlorine analyzer”.

Proposed Improvements for the Water System from WM-2018-0116

Confluence Rivers’ proposed improvements for the water system was previously estimated to cost \$100,000 for repairs and upgrades include:

- Installing a Mission monitoring system
- Installing heat and air conditioning.
- Installing a chlorine analyzer.
- Paint interior piping.

Staff Observations of the Water System

Staff visited the Evergreen water system on October 30, 2019, where it observed that the remote monitoring system had been installed as well as the chlorine analyzer and a window type air conditioner/heat unit to regulate the temperature in the well house. The current piping inside the well house still needs painted to preserve the metal. The Company stated that it intends to build a separate room on the well house for the chlorine disinfection but work has not begun yet on this project.

Staff Recommendation

The remote monitoring system, chlorine analyzer, and heater have been installed. Staff has no further recommendations at this time beyond painting of piping as mentioned above.

Rate and Tariff Issues

Currently each of the previous regulated utility systems has their own separate tariff. Staff recommends consolidation of each tariff to replace the existing individual tariffs, with consistent rules for all customers.

The Company has proposed a single rate structure for all water and all sewer customers among the various systems. Based on the unique circumstances of this case, Staff proposes consolidation of rates for water and sewer customers. A flat rate will be presented for water customers who do not yet have meters, equivalent to an average of the other regulated utilities. KY 2020-00290-Sub W-0351

Though customers are geographically separated, they are presented with similar costs of service. A single contract exists for operations among the systems. Rate base is very low at all of the systems. However, without consolidation, customers would be presented with vastly different rates for similar service, primarily because of how many customers are connected to each system rather than because of different costs to serve them.

Disposition Agreement Attachment F

Summary of Case Events

Confluence Rivers Utility Operating Company, Inc.
Case # WR-2020-0053
Summary of Case Events

Date Filed: August 29, 2019

Day 150: February 10, 2020

Extension? Yes
If yes, why? To process additional information submitted by the company

Amount Requested: \$896,081
Amount Agreed Upon: \$651,952

Item(s) Driving Rate Increase: Operation and maintenance expenses

Number of Customers: 542 water, 627 sewer

Assessment Current: Yes
Annual Reports Filed: Yes

Other Open Cases before Commission: No

Status with Secretary of State: Good Standing
DNR Violations: Currently in Compliance

Significant Service/Quality Issues: None

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

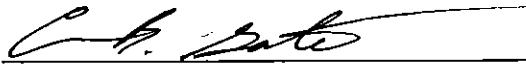
In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
Water Rate Increase)

AFFIDAVIT OF CURT B. GATELEY

State of Missouri)
County of Cole) ss
County of Cole)

COMES NOW Curt B. Gateley, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

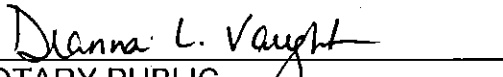
Further the Affiant sayeth not.



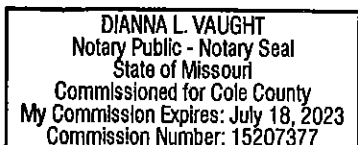
Curt B. Gateley

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of February, 2020.



NOTARY PUBLIC



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

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
Water Rate Increase)

AFFIDAVIT OF ANDREW HARRIS

State of Missouri)
County of Cole) ss

COMES NOW Andrew Harris, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

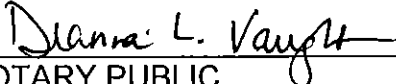
Further the Affiant sayeth not.



Andrew Harris

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of February, 2020.



NOTARY PUBLIC

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

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

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a)
Water Rate Increase)

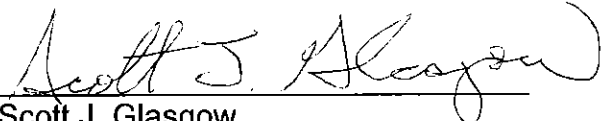
Case No. WR-2020-0053

AFFIDAVIT OF SCOTT J. GLASGOW

State of Missouri)
County of Cole) ss

COMES NOW Scott J. Glasgow, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



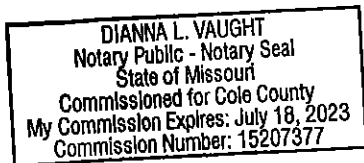
Scott J. Glasgow

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.



NOTARY PUBLIC



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

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
Water Rate Increase)

AFFIDAVIT OF AMANDA C. MCMELLEN

State of Missouri)
County of Cole) ss
County of Cole)

COMES NOW Amanda C. McMellen, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Disposition Agreement*; and that the same is true and correct according to her best knowledge and belief.

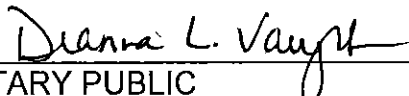
Further the Affiant sayeth not.



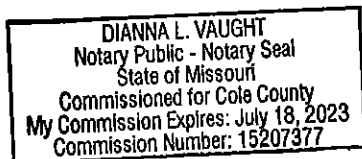
Amanda C. McMellen

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of February, 2020.



NOTARY PUBLIC



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI


In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) Case No. WR-2020-0053
Water Rate Increase)

AFFIDAVIT OF ANGELA NIEMEIER

State of Missouri)
) ss
County of Cole)

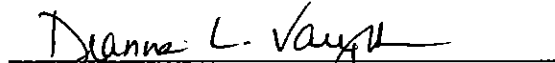
COMES NOW Angela Niemeier, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Disposition Agreement*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


Angela Niemeier

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.


NOTARY PUBLIC

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

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

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) Case No. WR-2020-0053
Water Rate Increase)

AFFIDAVIT OF CAROLINE NEWKIRK

State of Missouri)
) ss
County of Cole)

COMES NOW Caroline Newkirk, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Disposition Agreement*; and that the same is true and correct according to her best knowledge and belief.

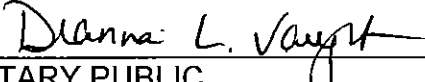
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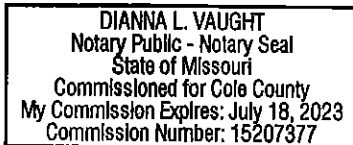
Caroline Newkirk

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.



NOTARY PUBLIC



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

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
Water Rate Increase)

AFFIDAVIT OF DAVID C. ROOS

State of Missouri)
County of Cole) ss

COMES NOW David C. Roos, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

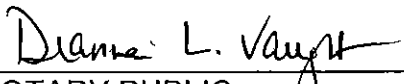
Further the Affiant sayeth not.



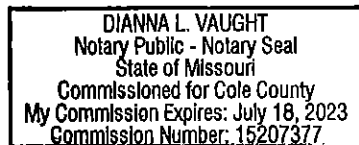
David C. Roos

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.



NOTARY PUBLIC



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

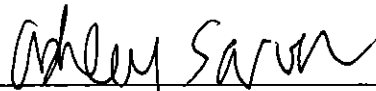
In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
Water Rate Increase)

AFFIDAVIT OF ASHLEY SARVER

State of Missouri)
County of Cole) ss

COMES NOW Ashley Sarver, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Disposition Agreement*; and that the same is true and correct according to her best knowledge and belief.

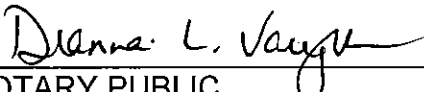
Further the Affiant sayeth not.



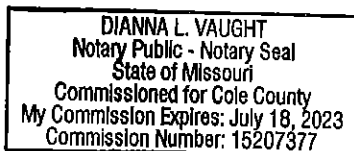
Ashley Sarver

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.



NOTARY PUBLIC



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a)
Water Rate Increase)

Case No. WR-2020-0053

AFFIDAVIT OF DAVID A. SPRATT

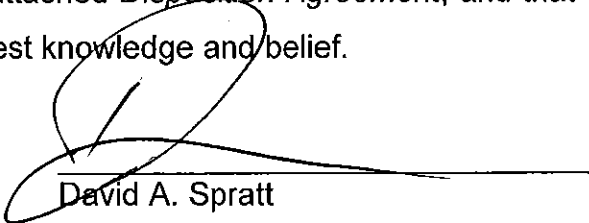
State of Missouri)

) ss

County of Cole)

COMES NOW David A. Spratt, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


David A. Spratt

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 14th day of February, 2020.


NOTARY PUBLIC

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

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

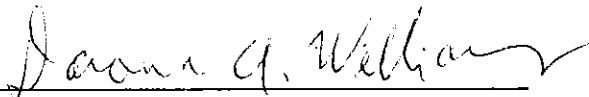
In The Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for a) Case No. WR-2020-0053
Water Rate Increase)

AFFIDAVIT OF DARONN A. WILLIAMS

State of Missouri)
County of Cole) ss
County of Cole)

COMES NOW Daronn A. Williams, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

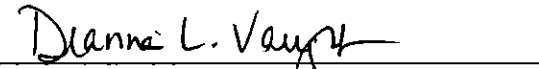
Further the Affiant sayeth not.



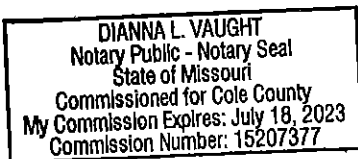
Daronn A. Williams

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of February, 2020.



NOTARY PUBLIC



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


In The Matter of Confluence Rivers Utility)
 Operating Company, Inc.'s Request for a) **Case No. WR-2020-0053**
 Water Rate Increase)

AFFIDAVIT OF SEOUNG JOUN WON, PhD

State of Missouri)
) ss
 County of Cole)

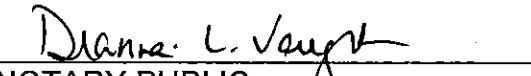
COMES NOW Seoung Joun Won, PhD, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


 Seoung Joun Won, PhD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of February, 2020.


 NOTARY PUBLIC

DIANNA L. VAUGHT
 Notary Public - Notary Seal
 State of Missouri
 Commissioned for Cole County
 My Commission Expires: July 18, 2023
 Commission Number: 15207377

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held by telephone
and internet audio conference on
the 30th day of December, 2020.

In the Matter of Elm Hills Utility Operating) **File No. WR-2020-0275**
Company, Inc.'s Request for a Water and) Tariff Nos. YW-2021-0057 and
Sewer Rate Increase) YS-2021-0058

**ORDER APPROVING SECOND DISPOSITION AGREEMENT AND
SMALL COMPANY RATE INCREASE**

Issue Date: December 30, 2020

Effective Date: January 29, 2021

On March 6, 2020,¹ Elm Hills Utility Operating Company, Inc. (Elm Hills) filed notices opening two staff assisted rate cases under Commission Rule 20 CSR 4240-10.075.² The cases asked for both a rate increase and a rate consolidation for four sewer systems.³ Elm Hills sought an increase of \$135,745 in its total annual water service operating revenues and a \$393,919 increase in sewer operating revenues. Elm Hills serves approximately 127 water customers and 378 sewer customers.

The Commission held a local public hearing by video and teleconference and heard from fourteen witnesses.⁴ Seventy-eight public comments were filed, apart from those received during the local public hearings.

On September 9, Elm Hills and the Staff of the Missouri Public Service Commission (Staff) filed a Nonunanimous Disposition Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (First Disposition Agreement). Also on September 9, Elm Hills filed replacement tariffs with an effective date of October 24.

¹ Unless otherwise specified, all date references are to the year 2020.

² SR-2020-0274 was consolidated into this case on March 25.

³ The only water rates at issue in this case are those in the Missouri Utilities service area. The sewer system rates to be consolidated are as follows: Twin Oaks/Preserve; Rainbow Acres; State Park Village; and Missouri Utilities.

⁴ Due to COVID-19, the hearing was held via WebEx on July 14. See Transcript Volume I.

Tariff Nos. YS-2021-0058 and YW-2021-0057 were suspended by the Commission until February 21, 2021.⁵ On September 14, the Office of the Public Counsel (OPC) objected to the First Disposition Agreement and requested a hearing.

On December 14, Elm Hills and OPC filed a Nonunanimous Disposition Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (Second Disposition Agreement). The Second Disposition Agreement purports to resolve all issues in this matter, agrees to annual revenue increases for all systems, and combines the multiple systems' water rates and sewer rates into single rates (see Appendix 1, which includes all internally referenced attachments).

On December 14, Staff filed its Notice of Non-Opposition. All parties have either signed the Second Disposition Agreement or stated its non-objection. No party requested an evidentiary hearing. The requirement for a hearing is met when the opportunity for a hearing has been provided.⁶ Without an evidentiary hearing, information regarding the rate increases and consolidations is contained solely in the Second Disposition Agreement and its supplemental filings.⁷

Pursuant to the Commission's staff assisted rate case rule, Staff conducted an audit of Elm Hills' books and records, a review of its customer service and general business practices, a review of Elm Hills' existing tariff, an inspection of Elm Hills' facilities and a review of the operation of its facilities. Subsequent to this investigation by Staff, the First Disposition Agreement was filed making fifteen specific agreements. These fifteen agreements were largely incorporated in the Second Disposition Agreement.

⁵ Order Granting Request for Evidentiary Hearing, Waiving Deadlines, Suspending Tariffs, and Directing New Joint Proposed Schedule, issued September 30.

⁶ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

⁷ Attachments E and F to the Second Disposition Agreement were filed on December 15, and are included in the attached Second Disposition Agreement (Appendix 1).

The Second Disposition Agreement provides for an increase to Elm Hills' water revenue requirement of \$64,361. Added to the previous water revenues of \$28,745, this results in overall annual water revenues of \$93,106. The Second Disposition Agreement also provides for a sewer revenue requirement increase of \$326,474. Added to the previous sewer revenues of \$126,587, this results in overall annual sewer revenues of \$453,061. The revenue requirements detailed in the Second Disposition Agreement were the result of negotiations among the signatories following a full and complete audit of Elm Hills' books and records using the twelve month period ended December 31, 2019, updated to March 31, 2020. The agreed upon net rate base is \$343,843 for water and \$1,607,013 for sewer.

Metered water system customers with a 5/8" meter will have an increase to in their customer charge, going from an average monthly customer charge of \$7.13 to \$31.04. The related commodity charge will increase from \$2.47 to \$7.07. Flat rates for customers with a 5.8" meter connection but without a functioning meter will increase from an average monthly customer charge of \$7.13 to \$60.15. Sewer system customers will see an increase to their sewer rate, from an average monthly customer charge of \$20.60 to \$99.88 per month.⁸

The Second Disposition Agreement also provides that within six months of the effective date of this order, Elm Hills shall have installed meters measuring flows into and out of the Elm Hills Mobile Home Park. Within three years, Elm Hills shall have made necessary repairs and installations such that all other water customers are served by

⁸ Rates for four sewer systems are consolidated by the Second Disposition Agreement to a single rate. The four systems, and the prior monthly customer charge for each are as follows: Mo Utilities, \$19.21; Rainbow Acres, \$15.00; State Park Village, \$45.00; and Twin Oaks/Preserve, \$3.18.

functioning meters, with the exception of those commercial customers for which the installation of meters is infeasible.

Within ninety days of the effective date of this order and pursuant to the Second Disposition Agreement, Elm Hills shall implement the recommendations of the Auditing Department. These recommendations are summarized as below:

- (a) track all work conducted on behalf of Elm Hills by Central States Water Resources, Inc. in the form of a time record;
- (b) document when plant is placed in service on the related invoice;
- (c) maintain a spreadsheet for plant additions and retirement of property.

Under the Second Disposition Agreement, Elm Hills also agrees to modify its operations and maintenance contractor bidding process. The bidding process will now include a single request for proposals that will include all systems up for bid by Elm Hills, with bid responses including both separate and aggregate bids by pre-qualified prospective contractors. The bidding pool will be expanded, and bidders will be able to include bids for services outside the scope of those requested as well as include omissions for any portion of the bid the bidder cannot provide. Elm Hills will also seek and evaluate references from bidders.

Within three months of the effective date of this order as further provided by the Second Disposition Agreement, Elm Hills will meet with Staff and OPC to discuss long-term capitalization and financing. Financing discussions with prospective lenders shall involve OPC (and Staff, should it so choose). Additionally, Elm Hills will provide the data and documents necessary to discuss its financial situation, subject to the Commission rules governing discovery.

The terms of the Second Disposition Agreement reflect compromises between OPC and Elm Hills, and no party has agreed to any particular ratemaking principle in

arriving at the amount of the specified annual operating revenue increases. The Commission is tasked with setting just and reasonable rates, which may result in a revenue increase more or less than the increase originally sought by the utility.⁹ The Commission has the authority to approve a disposition agreement.¹⁰

The Commission finds and concludes that the Second Disposition Agreement is reasonable and should be approved. Furthermore, the unopposed proposed rates are just and reasonable in order to provide safe and adequate service to the ratepayers.

THE COMMISSION ORDERS THAT:

1. The Second Disposition Agreement filed on December 14, 2020, summarized in the body of this order and hereto attached as Appendix 1, is approved. All signatories shall comply with the terms of the Second Disposition Agreement.

2. Elm Hills is authorized to file tariffs in compliance with the Second Disposition Agreement.

3. Tariff Nos. YS-2020-0058 and YW-2020-0057, which were submitted on September 9, 2020, are rejected.

4. This order shall become effective on January 29, 2021.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and
Holsman CC., concur.

Hatcher, Regulatory Law Judge

⁹ Commission Rule 20 CSR 4240-10.075(14).

¹⁰ Commission Rule 20 CSR 4240-10.075(11).

**NONUNANIMOUS DISPOSITION AGREEMENT REGARDING DISPOSITION OF
SMALL UTILITY COMPANY REVENUE INCREASE REQUEST**

ELM HILLS UTILITY OPERATING COMPANY, INC.

MO PSC FILE NO. WR-2020-0275

BACKGROUND

Elm Hills Utility Operating Company, Inc. ("Company") initiated the small company revenue increase request ("Request") for water and sewer 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 20 CSR 4240-10.075, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on March 6, 2020, the Company set forth its request for an increase of \$135,745 in its total annual water service operating revenues and \$393,919 increase in sewer 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's recommendations. The Company provides service to approximately 127 water customers and 378 sewer customers.

Pursuant to the provisions of the Staff Assisted Rate Case 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.)

Upon completion of its 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 resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's receipt of the above-referenced information regarding Staff's investigation of the Company's request, the Company and Public Counsel hereby state the following agreements:¹

- (1) The agreed upon water revenue requirement increase of \$64,361 added to the level of previous revenues of \$28,745 results in overall annual revenues of \$93,106. The agreed upon sewer revenue requirement increase of \$326,474 added to the level of previous revenues of \$126,587 results in overall annual revenues of \$453,061. These revenue requirements are just and reasonable and designed to recover the Company's cost of service;
- (2) The Auditing Department conducted a full and complete audit of the Company's books and records using the 12-month period ended December 31, 2019, updated to March 31, 2020, as the basis for the revenue requirement determined above. The audit findings can be found in Attachments B and C;
- (3) The agreed upon net rate base is \$343,843 for water and \$1,607,013 for sewer. The development of this amount is shown on the rate base worksheet that is found in Attachment C;
- (4) The schedule of depreciation rates in Attachment D includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of water/sewer plant depreciation rates for the Company;
- (5) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment E 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. Attachments E and F will be late-filed;
- (6) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission, proposed tariff revisions. The proposed tariffs will contain a set of consolidated rates for sewer customers in the Twin Oaks/Preserve, Rainbow Acres, State Park Village, and Missouri Utilities service areas;
- (7) The current PSC MO No. 1 and 2 tariffs will be cancelled and replaced by PSC MO Numbers 3 and 4;
- (8) Within six (6) months of the effective date of an order approving this Disposition Agreement, the Company agrees to have installed meters measuring flows into and out of the Elm Hills Mobile Home Park. Within three (3) years of the effective date of an order approving this Disposition Agreement, the Company agrees to have made necessary repairs and installations such that all other water customers are served by functioning meters, with the exception of those commercial customers for which the installation of meters is infeasible. The Company will provide Staff and OPC a diagram/illustration of the suspected

¹ With the exception of Attachments E and F (which will be late-filed), the identified attachments reference documents provided with the Nonunanimous Disposition Agreement filed on September 9, 2020.

location of main(s) running through the Elm Hills Mobile Home Park and proposed metering locations for that facility;

(9) Within ninety (90) days of the effective date of an order approving this Disposition Agreement, the Company shall implement the following recommendations and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Department:

- (a) The Company will begin tracking all work conducted on its behalf by Central States Water Resources, Inc. in the form of a time record. This time record will include a description of the job performed, length of time to complete, name/title of the employee who conducted the work, and tracked by each system. The time record information should be maintained in sufficient detail to capture the amount of time each employee spends on operation and maintenance activities, as opposed to construction activities. The Company also agrees that detailed timesheets will be maintained for any future employees Central States Water Resources, Inc. may retain;
- (b) The Company shall document (i) on each water system invoice when each item is placed into plant in service following the Missouri Department of Natural Resources' final inspection and sign-off; and (ii) on each sewer system invoice when each item on the invoice is placed into plant in service following the engineer's sealed MDNR certificate of completion; and
- (c) The Company shall maintain a spreadsheet for Plant Additions and Retirement of Property (including book cost of plant retired, cost of removal, or salvage credit) along with supporting documentation (i.e. invoices) to ensure all plant assets are properly reflected in future rate case proceedings. This spreadsheet should reconcile to the invoices provided by vendor (refer to (b) listed above).

(10) The Company will modify its Operations and Maintenance (O&M) contractor bidding process, as necessary, to reflect the following principles agreed to by the parties to this Disposition Agreement:

- (a) The Company will send a single RFP to prospective contractors meeting pre-qualification requirements, including necessary licensing from the Missouri Department of Natural Resources, that lists all the systems that the Company seeks bids for and then requests separate bids for the operation of each system followed by an aggregate bid where the bidder lists all systems the bidder is willing to bid on and provides the total combined bid for that aggregate;
- (b) The Company will expand the bidding pool to reach as many prospective bidders as possible, which may include contacting contract operators registered with the Missouri Department of Natural Resources for the county where the system sits and adjacent counties as well as posting requests for bids to the websites for such organizations as the Missouri Section of the American Water Works Association and the Missouri Rural Water Association;
- (c) The Company will provide a place on the RFP response for bidders to include services outside the scope requested and estimates for the same;

- (d) The Company will provide a place on the RFP response for bidders to indicate any point where the bid does not include items otherwise required by the RFP along with an explanation for their omission and an estimate of the cost to include those items; and
 - (e) The Company will request bidders provide references and evaluate those references as needed.
- (11) Within three months of the effective date of any order issued by the Public Service Commission approving this disposition agreement, Elm Hills will meet with Staff and Public Counsel to discuss the Company's long-term capitalization and financing plan. Topics for discussion include what steps CSWR, LLC has taken or may take in the future to secure debt financing to fund CSWR, LLC's past, current, and future investments in its Missouri subsidiaries and the influence or impact of the involvement of Sciens Capital Management LLC on these plans. Discussion also shall include progress updates regarding the possible consolidation of any of CSWR, LLC's Missouri affiliates and the effect of the same on capital procurement.

From the effective date of any order issued by the Public Service Commission approving this disposition agreement until Elm Hills' next request for a rate increase/decrease, Elm Hills will involve Public Counsel (and Staff, to the extent it wants to be involved) in financing discussions with prospective lenders, such as CoBank, in an effort to enhance the chances of obtaining lower-cost debt financing for purpose of funding CSWR, LLC's past, current, and future investments in its Missouri subsidiaries. Elm Hills, CSWR, LLC, and their Missouri affiliates agree to permit Public Counsel to discuss confidential information regarding CSWR, LLC, Elm Hills, and their Missouri affiliates with potential lenders in conjunction with these discussions.

Subject to the Commission rules governing discovery, Elm Hills agrees to provide Staff and Public Counsel data and documents necessary to discuss the financial situation of CSWR, LLC, Elm Hills, and their Missouri affiliates with potential lenders. These data and documents will include correspondence between Elm Hills, CSWR, LLC, and their Missouri affiliates, on one hand, and potential lenders, on the other hand, including all attachments and requests for information made by the potential lenders.

Elm Hills and CSWR, LLC, will provide updates every subsequent three months from the first meeting regarding the topics discussed in the first meeting or any developments in financing procurement since the first meeting.

Elm Hills, CSWR, LLC, and their Missouri affiliates will review and consider any recommendations made by Staff and Public Counsel with regard to potential financing opportunities.

Elm Hills and Public Counsel (and Staff, to the extent it wants to be involved) agree to engage in subsequent meetings to engage in further discussion related to these topics as necessary.

(12) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill, and specifically address the transition to metered rates for applicable flat rate customers, as well as the anticipated approximate dates for the transition for different customer types.

(13) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement;

(14) The Company and Public Counsel agree that they have read the foregoing 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 parties; and that the Company freely and voluntarily enters into this Disposition Agreement; and

(15) The above agreements satisfactorily resolve all issues identified by Public Counsel and the Company regarding the Company's request.

Additional Matters

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between OPC and the Company, and no party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

SIGNATURES

Agreement Signed and Dated:

//s// Dean L. Cooper
Dean L. Cooper
Counsel
Elm Hills Utility Operating Company, Inc.

14 December 2020
Date

/s/ John Clizer
John Clizer
Counsel
Office of the Public Counsel

12/14/2020
Date

Request

12. Provide workpapers for any calculations made related to the proposed cost of debt.

Response

No workpapers were prepared to calculate a cost of debt. Please refer to Section III of Jennifer Nelson's Testimony (Application Exhibit 8) for the derivation of hypothetical cost of debt.

Request

13. Identify all cases where the Commission granted a company-specific business risk adjustment to return on equity over the past three years.
-

Response

Bluegrass objects and declines to answer this request for research into Commission decisions, which are equally available to the Attorney General.

Request

14. Discuss how compensating the company for company-specific business risks results in just rates for customers.
-

Response

See Response to 1 AG 17.

Request

15. Discuss why customers of systems which are comparatively less-distressed should be required to compensate the company for risk associated with its business decision to also purchase comparatively more-distressed systems.
-

Response

The Company believes that, regardless of its current condition, each of the communities that Bluegrass serves will require major repairs and replacements in the next 20 years. While some of the systems require more urgent investments in upgrades and improvements, less distressed systems will require those same investments in the future. Whatever short-term support may flow between systems initially, the situation will reverse over time. The Company also notes that cross-subsidies in utility rates are the rule rather than the exception. For example, although it may cost an electric or gas utility much more to serve some individual customers than it does to serve others, electric and gas utilities have for decades had uniform rates for all customers within each rate class. The Company also believes consolidated rates reflect the common benefits all of our Kentucky customers will receive from being served by Bluegrass Water. Services are provided more cost-effectively by consolidating systems to realize economies of scale, rather than system-specific rates. In effect, system specific rates would punish customers of the currently challenged systems for necessary investments each community will require in the future.

Request

16. Identify all Commission authority supporting the establishment of a uniform rate schedule for utilities serving rate-payers located in disparate locations.

Response

Objection: Bluegrass objects and declines to answer this request for research into Commission “authority,” which should be equally available to the Attorney General, and also because it is not clear whether it requests what would authorize the Commission to establish uniform rates (e.g., KRS 278.170(1)) or what is meant by “disparate locations.”

Request

17. Discuss generally why customers should be required to compensate the company for its business decision to purchase comparatively risky assets.
-

Response

The distressed nature of assets Bluegrass has acquired in Kentucky is a major factor in evaluating and determining the company's risk profile.

It is management's understanding that:

All public utilities have a due process right to fully-compensatory rates – i.e., rates that provide an opportunity for the full recovery of reasonable operating expenses and a reasonable rate of return on the value of investment devoted to the public service. Under standards announced by the United States Supreme Court in its *Hope*¹ and *Bluefield*² decisions, the determination of what constitutes a reasonable rate of return must take into account the utility's risk profile as well as the returns being earned by other companies with similar risk profiles. Therefore, Bluegrass's rates must compensate the company for the risks associated with its assets and operations in Kentucky, and rates that do so are fair, just, and reasonable to the customers.

¹ *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923): "A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties."

² *Federal Power Commission v. Hope Natural Gas Co.*, 329 U.S. 391 (1944): "[T]he return to the equity holder should be commensurate with return on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital."

Request

18. Provide a copy of the loan documents for the loan referenced by Jennifer Nelson in her testimony at page 9 line 12 to the extent that loan has been finalized.

Response

The loan referenced by Ms. Nelson in her testimony has not been finalized as of this date.

Any loan documents will be submitted as a financing case before the Commission requesting permission to issue debt.

Request

19. Provide a copy of loan documents for all loans obtained by the company.

Response

To date Bluegrass Water has obtained no loans.

Request

20. Discuss the criteria for rating utility debt and apply that criteria to the assets held by the company.

Response

Ms. Nelson is not a credit rating analyst and cannot speak specifically to the criteria that a rating agency would apply to Bluegrass Water at the corporate level or for specific debt issuances.

In general, credit rating agencies corporate or debt ratings are intended to reflect the subject utility's ability to meet financial obligations as they come due. While the weights given to specific factors may vary by rating agency, it is Ms. Nelson's understanding that rating agencies generally consider factors including, but not limited to, the following:

- Stability and predictability of the regulatory environment
- The sufficiency and timeliness of recovery of costs and investments
- Scale, scope, and diversity of the operations and asset base
- Asset condition risk
- Scale and scope of capital expenditure program
- Liquidity and access to capital markets
- Management strategy and operating efficiency
- Size
- Exposure to environmental regulations

Request

21. Identify the highest five costs of debt rates approved by the Commission in the past two years.

Response

Objection: Bluegrass objects and declines to answer this request for research into Commission decisions, which are equally available to the Attorney General.

Request

22. Discuss whether substantial investments in improvements to currently-distressed systems in the near term will result in rates in out-years after those improvements have been funded and depreciated which do not accurately reflect the cost of service.
-

Response

Current near-term investments will likely remediate needs for substantial investments in out-years as many of the repairs or improvements made will extend the usable life of currently fully depreciated assets. Not making these improvements in the near term could allow assets to further deteriorate and require further improvements or full plant replacement. In addition, rates charged by Bluegrass, both currently and in the future, are reviewed and approved by the Commission.

Request

23. Provide any correspondence from the Kentucky Division of Water requiring that improvements or repairs be made to any and all of the systems identified in the application.
-

Response

The move to bring these systems back into compliance with environmental regulation following acquisition by Bluegrass was initiated by Bluegrass with the submission of Corrective Action Plans and construction permits that were reviewed and approved by the Kentucky Division of Water. See the CAP Approvals attached hereto at KY2020-00290_BW_376-KY2020-00290_BW_384. Accordingly, the requirement by the Kentucky Division of Water of improvements and repairs was not in the form of correspondence, but rather through approval or agreement with planned improvements and repairs.

The Agreed Orders that have been entered into for Airview, Brocklyn, Fox Run, Golden Acres, Great Oaks, Kingswood, Lake Columbia, LH Treatment, and Persimmon Ridge were filed on November 26, 2019 as part of Bluegrass's First Month Performance Report in Case No. 2019-00104. Agreed Orders have also been entered into for both Joann Estates and River Bluffs and will be included in the forthcoming Sixth-Month Performance Report to be filed in Case No. 2019-00360, but are also attached hereto as KY2020-00290_BW_385-KY2020-00290_BW406.

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

January 28, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Brocklyn Utilities LLC WWTP
AI No. 2809
Case No. DOW-19-3-0150
Activity No. ERF20190001
Facility ID: KY0081299
Madison County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 13, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water ("DOW") has the following comment regarding the CAP:

- It is recommended that any repairs made to the steel walls of the treatment plant be designed and reviewed by a licensed structural engineer.

Feel free to contact me at 502-782-8638 or wesley.dement@ky.go should you have any questions or concerns.

Sincerely,

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 17, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Fox Run WWTP
AI No. 1388
Case No. DOW-19-3-0151
Activity No. ERF20190001
Facility ID: KY0086967
Franklin County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 23, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Wesley T. Dement".

Wesley T. Dement
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 17, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Golden Acres WWTP
AI No. 2935
Case No. DOW-19-3-0156
Activity No. ERF20190002
Facility ID: KY0044164
Marshall County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 26, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley T. Dement", written over a horizontal line.

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 17, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Great Oaks WWTP
AI No. 3041
Case No. DOW-19-3-0148
Activity No. ERF20190001
Facility ID: KY0080845
McCracken County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 26, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley T. Dement", written over a horizontal line.

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement



ANDY BESHEAR
GOVERNOR

REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

January 28, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Kingswood WWTP
AI No. 455
Case No. DOW-19-3-0152
Activity No. ERF20190001
Facility ID: KY00101419
Bullitt County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 12, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water ("DOW") has the following comment regarding the CAP:

- Should you decide to convert the current ultraviolet disinfection system at this facility to another disinfection system, you will need to submit a request for a minor permit modification to the DOW.

Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns.

Sincerely,

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 17, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Lake Columbia WWTP
AI No. 458
Case No. DOW-19-3-0153
Activity No. ERF20190001
Facility ID: KY0077674
Bullitt County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 20, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley T. Dement", written over a horizontal line.

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

February 17, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: LH Utilities/Longview Country Club
AI No. 8083
Case No. DOW-19-3-0154
Activity No. ERF20190001
Facility ID: KY0081591
Scott County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 20, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley T. Dement", written over a horizontal line.

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement



ANDY BESHEAR
GOVERNOR

REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

January 29, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Persimmon Ridge WWTP
AI No. 3955
Case No. DOW-19-3-0155
Activity No. ERF20190001
Facility ID: KY0090956
Shelby County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 13, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.gov should you have any questions or concerns.

Sincerely,

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

ANDY BESHEAR
GOVERNOR



REBECCA W. GOODMAN
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

January 28, 2020

Jake Freeman
Central States Water Resources
500 Northwest Plaza Dr., Suite 500
St. Ann, MO 63074

Re: AI Name: Airview WWTP
AI No. 1643
Case No. DOW-19-3-0149
Activity No. ERF20190001
Facility ID: KY0045390
Hardin County

Dear Mr. Freeman:

Thank you for your submission of a Corrective Action Plan ("CAP") dated December 17, 2019, for the facility listed above, which the Cabinet has reviewed and accepted. The Division of Water has no comments regarding this CAP. Feel free to contact me at 502-782-8638 or wesley.dement@ky.go should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley T. Dement", written over a horizontal line.

Wesley T. Dement,
Environmental Enforcement Specialist
Division of Enforcement

KY2020-00290_BW_384

**COMMONWEALTH OF KENTUCKY
ENERGY AND ENVIRONMENT CABINET
DIVISION OF ENFORCEMENT
CASE NO. DOW 20-3-0002**

**IN RE: River Bluffs Inc.
River Bluffs Wastewater Treatment Plant
13121 Creekview Road
Prospect, KY 40059
AI No. 3367
Activity ID No. ERF20200001**

AGREED ORDER

WHEREAS, the parties to this Agreed Order, the Energy and Environment Cabinet (hereinafter "Cabinet") and Bluegrass Water Utility Operating Company, LLC (hereinafter "BWUOC") state:

STATEMENTS OF FACT

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224 and the regulations promulgated pursuant thereto.
2. BWUOC is an active Kentucky Limited Liability Company in good standing that owns and operates utilities and whose principal address according to the Kentucky Secretary of State, is 1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131.
3. River Bluffs Wastewater Treatment Plant (hereinafter "River Bluffs WWTP" or "facility"), is located at 13121 Creekview Road, Prospect, Kentucky 40059. The facility has a design capacity of 0.066 million gallons per day and discharges to an unnamed tributary of Pond Creek.
4. River Bluffs WWTP is currently owned and operated by River Bluffs, Inc. The facility's discharges are permitted under Kentucky Pollutant Discharge Elimination Systems

(hereinafter "KPDES") permit number KY0043150, issued by the Cabinet's Division of Water (hereinafter "DOW"). The facility's KPDES permit expires on December 31, 2024.

5. River Bluffs, Inc. is an active for-profit Kentucky corporation in good standing, according to the Kentucky Secretary of State.

6. BWUOC has indicated to the Cabinet that it plans to acquire River Bluffs WWTP, provided it receives from the Kentucky Public Service Commission ("Commission") all approvals required to make the acquisition. If the Commission approves the acquisition, BWUOC plans to assume ownership and operation of River Bluffs WWTP on or around March 31, 2020.

7. BWUOC has contracted with a third-party firm to produce an engineering memorandum detailing the status of and repairs needed at River Bluffs WWTP (Exhibit A). This report was submitted to the Cabinet on or about January 2, 2020.

8. If it receives all required Commission approvals, BWUOC has indicated to the Cabinet that it plans to make substantial repairs and/or upgrades to the facility to address the deficiencies noted in Exhibit A.

NOW THEREFORE, in the interest of providing corrective actions to River Bluffs WWTP, the parties hereby consent to the entry of this Agreed Order and agree as follows:

REMEDIAL MEASURES

9. BWUOC shall notify the Cabinet in writing that it has assumed ownership and operation of River Bluffs WWTP within fifteen (15) days of acquiring the facility.

10. Within fifteen (15) days of assuming ownership and operation of the facility, BWUOC shall submit a "Change in Ownership Certification" to the Cabinet.

11. At all times, commencing with assuming ownership of the facility, BWUOC shall provide for proper operation and maintenance of the facility in accordance with 401 KAR 5:065

Section 2(1).

12. Following the initial ninety (90) days of its operation of the facility, BWUOC shall submit to the Cabinet for review and acceptance, a written Corrective Action Plan (hereinafter "CAP") to bring the facility into compliance with its KPDES permit and correct the deficiencies noted in Exhibit A. The CAP shall include, but not be limited to, an identification of actions BWUOC shall implement to ensure compliance that includes; proper operation and maintenance to its sewage treatment system, collection system, and disinfection unit. The CAP shall also include a list of all actions necessary to ensure the completion of upgrades to its facility including a list of completion dates for each action. Include in the CAP a final compliance date for completion of all remedial measures listed;

- A. Upon review of the CAP, the Cabinet may, in whole or in part, (1) accept or (2) decline and provide comments to BWUOC identifying the deficiencies. Upon receipt of Cabinet comments, BWUOC shall have ninety (90) days to revise and resubmit the CAP for review and acceptance. Upon resubmittal, the Cabinet may, in whole or in part, (1) accept or (2) disapprove and provide comments to BWUOC identifying the deficiencies. Upon such resubmittal, if the CAP is disapproved, the Cabinet may deem BWUOC to be out of compliance with this Agreed Order for failure to timely submit the CAP. The parties to this Agreed Order may also agree in writing to further extend the period in which BWUOC and the Cabinet accept a revised and resubmitted CAP.
- B. BWUOC may request an amendment of the accepted CAP by writing the Director of the Division of Enforcement at 300 Sower Blvd., Frankfort,

Kentucky 40601 and stating the reasons for the request. If granted, the amended CAP shall not affect any provision of this Agreed Order unless expressly provided in the amended CAP. This does not require an amendment request pursuant to paragraph 20 of this Agreed Order.

- C. Upon Cabinet acceptance of all or any part of the CAP, the amended CAP or any accepted part thereof (provided that the accepted part is not dependent upon implementation of any part not yet accepted), shall be deemed incorporated into this Agreed Order as an enforceable requirement of this Agreed Order. This does not require an amendment request pursuant to paragraph 20 of this Agreed Order.

13. So long as BWUOC is in compliance with the terms and conditions of this Agreed Order, the Cabinet's Division of Enforcement agrees to hold any formal enforcement action for numeric permit parameter violations for the KPDES permit described in paragraph 4, in abeyance. Should BWUOC fail to comply with the terms and conditions of this Agreed Order, the Cabinet may seek formal enforcement action that would have otherwise been held in abeyance.

14. By the final compliance date in the accepted CAP, BWUOC shall be in full compliance with its KPDES permit.

15. All submittals required by the terms of this Agreed Order shall be submitted to: Division of Enforcement, Attention: Director, 300 Sower Blvd., Frankfort, Kentucky, 40601.

MISCELLANEOUS PROVISIONS

16. This Agreed Order shall be of no force and effect unless BWUOC assumes ownership and operations of River Bluffs WWTP.

17. This Agreed Order addresses only the items described above. Other than the matters agreed to by entry of this Agreed Order, nothing contained herein shall be construed to waive or to limit any remedy or cause of action by the Cabinet based on statutes or regulations under its jurisdiction and BWUOC reserves its defenses thereto. The Cabinet expressly reserves its right at any time to issue administrative orders and to take any other action it deems necessary that is not inconsistent with this Agreed Order, including the right to order all necessary remedial measures, assess penalties for violations, or recover all response costs incurred, and BWUOC reserves its defenses thereto.

18. This Agreed Order shall not prevent the Cabinet from issuing, reissuing, renewing, modifying, revoking, suspending, denying, terminating, or reopening any permit to BWUOC. BWUOC reserves its defenses thereto, except that BWUOC shall not use this Agreed Order as a defense.

19. BWUOC waives its right to any hearing on the matters admitted herein. However, failure by BWUOC to comply strictly with any or all of the terms of this Agreed Order shall be grounds for the Cabinet to seek enforcement of this Agreed Order in Franklin Circuit Court and to pursue any other appropriate administrative or judicial action under KRS Chapter 224 and the regulations promulgated pursuant thereto.

20. The Agreed Order may not be amended except by a written order of the Cabinet's Secretary or a designee thereof. BWUOC may request an amendment by writing the Director of the Division of Enforcement at 300 Sower Blvd., Frankfort, Kentucky 40601, and stating the reasons for the request. If granted, the amended Agreed Order shall not affect any provision of this Agreed Order unless expressly provided in the amended Agreed Order.

21. The Cabinet does not, by its consent to the entry of this Agreed Order, warrant or aver in any manner that BWUOC's complete compliance with this Agreed Order will result in compliance with the provisions of KRS Chapter 224 and the regulations promulgated pursuant thereto. Notwithstanding the Cabinet's review and approval of any plans formulated pursuant to this Agreed Order, BWUOC shall remain solely responsible for compliance with the terms of KRS Chapter 224 and the regulations promulgated thereto, this Agreed Order, and any permit and compliance schedule requirements.

22. BWUOC shall give notice of this Agreed Order to any purchaser, lessee or successor in interest prior to the transfer of ownership and/or operation of any part of the facility occurring prior to termination of this Agreed Order, shall notify the Cabinet that such notice has been given, and shall follow all statutory requirements for a transfer.

23. This Agreed Order applies specifically and exclusively to the unique facilities referenced herein and is inapplicable to any other facility.

24. Compliance with this Agreed Order is not conditional on the receipt of any federal, state, or local funds.

25. This Agreed Order shall be of no force and effect unless and until it is entered by the Secretary or a designee thereof as evidenced by his or her signature thereon. If this Agreed Order contains any date by which BWUOC is to take any action or cease any activity, and the Secretary enters the Agreed Order after that date, then BWUOC is nonetheless obligated to have taken the action or ceased the activity by the date contained in this Agreed Order.

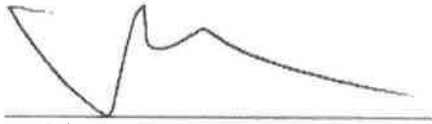
TERMINATION

26. This Agreed Order shall terminate upon BWUOC's completion of all requirements described in this Agreed Order. BWUOC may submit written notice to the Cabinet when it believes

all requirements have been performed. The Cabinet shall notify BWUOC in writing whether it concurs that all requirements of this Agreed Order have been completed. The Cabinet reserves its right to enforce this Agreed Order, and BWUOC reserves its right to file a petition for hearing pursuant to KRS 224.10-420(2) contesting the Cabinet's determination.

CASE NO. DOW 20-3-0002

AGREED TO BY:



**Josiah Cox, President
Bluegrass Water Utility Operating Company, LLC**

3-26-2020


Date

CASE NO. DOW 20-3-0002

APPROVAL RECOMMENDED BY:


Michael B. Kroeger, Director *Asst. Dir.*
Division of Enforcement

4/1/2020
Date

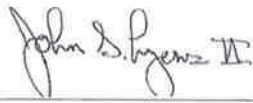

Elizabeth U. Natter, Executive Director
Office of General Counsel

August 10, 2020
Date

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Energy and Environment Cabinet this 12th day of November, 2020.

ENERGY AND ENVIRONMENT CABINET



FOR

REBECCA W. GOODMAN, SECRETARY of the
ENERGY AND ENVIRONMENT CABINET

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this 12th day of November, 2020.

Bluegrass Water Utility Operating Company, LLC
Attn: Jacob Freeman
1650 Des Peres Road, Suite 303
St. Louis, MO 63131

And ~~mailed~~, messenger to:

Michael B. Kroeger, Director
Division of Enforcement
300 Sower Blvd.
Frankfort, Kentucky 40601

Elizabeth U. Natter, Executive Director
Office of General Counsel
Energy and Environment Cabinet
300 Sower Blvd.
Frankfort, Kentucky 40601



DOCKET COORDINATOR

Distribution:
DOW
FBT
S&H
BGD

COMMONWEALTH OF KENTUCKY
ENERGY AND ENVIRONMENT CABINET
DIVISION OF ENFORCEMENT
CASE NO. DOW 20-3-0001

IN RE: Joann Estates Utilities, Inc.
Timberland Wastewater Treatment Plant
6500 US Highway 60 W
Paducah, KY 42001
AI No. 3070
Activity ID No. ERF20200001

AGREED ORDER

WHEREAS, the parties to this Agreed Order, the Energy and Environment Cabinet (hereinafter “Cabinet”) and Bluegrass Water Utility Operating Company, LLC (hereinafter “BWUOC”) state:

STATEMENTS OF FACT

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224 and the regulations promulgated pursuant thereto.
2. BWUOC is an active Kentucky Limited Liability Company in good standing that owns and operates utilities and whose principal address, according to the Kentucky Secretary of State is 1650 Des Peres Road, Suite 303, Saint Louis, Missouri 63131.
3. Timberland Wastewater Treatment Plant (hereinafter “Timberland WWTP” or “facility”), is located on Timberland Drive, Paducah, McCracken County, Kentucky 42086. The facility has a design capacity of 0.025 million gallons per day and discharges to West Fork Massac Creek.
4. Timberland WWTP is currently owned and operated by Joann Estates Utilities, Inc. The facility’s discharges are permitted under Kentucky Pollutant Discharge Elimination Systems

(hereinafter “KPDES”) permit number KY0083755, issued by the Cabinet’s Division of Water (hereinafter “DOW”). The facility’s KPDES permit expires on January 31, 2025.

5. Joann Estates Utilities, Inc. is an active for-profit Kentucky corporation in good standing, according to the Kentucky Secretary of State.

6. BWUOC has indicated to the Cabinet that it plans to acquire Timberland WWTP, provided it receives from the Kentucky Public Service Commission (“Commission”) all approvals required to make the acquisition. If the Commission approves the acquisition, BWUOC plans to assume ownership and operation of Timberland WWTP on or around March 31, 2020.

7. BWUOC has contracted with a third-party firm to produce an engineering memorandum detailing the status of and repairs needed at Timberland WWTP (Exhibit A). This report was submitted to the Cabinet on or about January 2, 2020.

8. If it receives all required Commission approvals, BWUOC has indicated to the Cabinet that it plans to make substantial repairs and/or upgrades to the facility to address the deficiencies noted in Exhibit A.

NOW THEREFORE, in the interest of providing corrective actions to Timberland WWTP, the parties hereby consent to the entry of this Agreed Order and agree as follows:

REMEDIAL MEASURES

9. BWUOC shall notify the Cabinet in writing that it has assumed ownership and operation of Timberland WWTP within fifteen (15) days of acquiring the facility.

10. Within fifteen (15) days of assuming ownership and operation of the facility, BWUOC shall submit a “Change in Ownership Certification” to the Cabinet.

11. At all times, commencing with assuming ownership of the facility, BWUOC shall provide for proper operation and maintenance of the facility in accordance with 401 KAR 5:065

Section 2(1).

12. Following the initial ninety (90) days of its operation of the facility, BWUOC shall submit to the Cabinet for review and acceptance, a written Corrective Action Plan (hereinafter "CAP") to bring the facility into compliance with its KPDES permit and correct the deficiencies noted in Exhibit A. The CAP shall include, but not be limited to, an identification of actions BWUOC shall implement to ensure compliance that includes; proper operation and maintenance to its sewage treatment system, collection system, and disinfection unit. The CAP shall also include a list of all actions necessary to ensure the completion of upgrades to its facility including a list of completion dates for each action. Include in the CAP a final compliance date for completion of all remedial measures listed;

- A. Upon review of the CAP, the Cabinet may, in whole or in part, (1) accept or (2) decline and provide comments to BWUOC identifying the deficiencies. Upon receipt of Cabinet comments, BWUOC shall have ninety (90) days to revise and resubmit the CAP for review and acceptance. Upon resubmittal, the Cabinet may, in whole or in part, (1) accept or (2) disapprove and provide comments to BWUOC identifying the deficiencies. Upon such resubmittal, if the CAP is disapproved, the Cabinet may deem BWUOC to be out of compliance with this Agreed Order for failure to timely submit the CAP. The parties to this Agreed Order may also agree in writing to further extend the period in which BWUOC and the Cabinet accept a revised and resubmitted CAP.
- B. BWUOC may request an amendment of the accepted CAP by writing the Director of the Division of Enforcement at 300 Sower Blvd., Frankfort,

Kentucky 40601 and stating the reasons for the request. If granted, the amended CAP shall not affect any provision of this Agreed Order unless expressly provided in the amended CAP. This does not require an amendment request pursuant to paragraph 20 of this Agreed Order.

C. Upon Cabinet acceptance of all or any part of the CAP, the amended CAP or any accepted part thereof (provided that the accepted part is not dependent upon implementation of any part not yet accepted), shall be deemed incorporated into this Agreed Order as an enforceable requirement of this Agreed Order. This does not require an amendment request pursuant to paragraph 20 of this Agreed Order.

13. So long as BWUOC is in compliance with the terms and conditions of this Agreed Order, the Cabinet's Division of Enforcement agrees to hold any formal enforcement action for numeric permit parameter violations for the KPDES permit described in paragraph 4, in abeyance. Should BWUOC fail to comply with the terms and conditions of this Agreed Order, the Cabinet may seek formal enforcement action that would have otherwise been held in abeyance.

14. By the final compliance date in the accepted CAP, BWUOC shall be in full compliance with its KPDES permit.

15. All submittals required by the terms of this Agreed Order shall be submitted to: Division of Enforcement, Attention: Director, 300 Sower Blvd., Frankfort, Kentucky, 40601.

MISCELLANEOUS PROVISIONS

16. This Agreed Order shall be of no force and effect unless BWUOC assumes ownership and operations of Timberland WWTP.

17. This Agreed Order addresses only the items described above. Other than the matters agreed to by entry of this Agreed Order, nothing contained herein shall be construed to waive or to limit any remedy or cause of action by the Cabinet based on statutes or regulations under its jurisdiction and BWUOC reserves its defenses thereto. The Cabinet expressly reserves its right at any time to issue administrative orders and to take any other action it deems necessary that is not inconsistent with this Agreed Order, including the right to order all necessary remedial measures, assess penalties for violations, or recover all response costs incurred, and BWUOC reserves its defenses thereto.

18. This Agreed Order shall not prevent the Cabinet from issuing, reissuing, renewing, modifying, revoking, suspending, denying, terminating, or reopening any permit to BWUOC. BWUOC reserves its defenses thereto, except that BWUOC shall not use this Agreed Order as a defense.

19. BWUOC waives its right to any hearing on the matters admitted herein. However, failure by BWUOC to comply strictly with any or all of the terms of this Agreed Order shall be grounds for the Cabinet to seek enforcement of this Agreed Order in Franklin Circuit Court and to pursue any other appropriate administrative or judicial action under KRS Chapter 224 and the regulations promulgated pursuant thereto.

20. The Agreed Order may not be amended except by a written order of the Cabinet's Secretary or a designee thereof. BWUOC may request an amendment by writing the Director of the Division of Enforcement at 300 Sower Blvd., Frankfort, Kentucky 40601, and stating the reasons for the request. If granted, the amended Agreed Order shall not affect any provision of this Agreed Order unless expressly provided in the amended Agreed Order.

21. The Cabinet does not, by its consent to the entry of this Agreed Order, warrant or aver in any manner that BWUOC's complete compliance with this Agreed Order will result in compliance with the provisions of KRS Chapter 224 and the regulations promulgated pursuant thereto. Notwithstanding the Cabinet's review and approval of any plans formulated pursuant to this Agreed Order, BWUOC shall remain solely responsible for compliance with the terms of KRS Chapter 224 and the regulations promulgated thereto, this Agreed Order, and any permit and compliance schedule requirements.

22. BWUOC shall give notice of this Agreed Order to any purchaser, lessee or successor in interest prior to the transfer of ownership and/or operation of any part of the facility occurring prior to termination of this Agreed Order, shall notify the Cabinet that such notice has been given, and shall follow all statutory requirements for a transfer.

23. This Agreed Order applies specifically and exclusively to the unique facilities referenced herein and is inapplicable to any other facility.

24. Compliance with this Agreed Order is not conditional on the receipt of any federal, state, or local funds.

25. This Agreed Order shall be of no force and effect unless and until it is entered by the Secretary or a designee thereof as evidenced by his or her signature thereon. If this Agreed Order contains any date by which BWUOC is to take any action or cease any activity, and the Secretary enters the Agreed Order after that date, then BWUOC is nonetheless obligated to have taken the action or ceased the activity by the date contained in this Agreed Order.

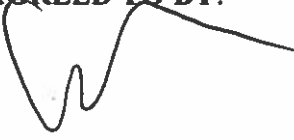
TERMINATION

26. This Agreed Order shall terminate upon BWUOC's completion of all requirements described in this Agreed Order. BWUOC may submit written notice to the Cabinet when it believes

all requirements have been performed. The Cabinet shall notify BWUOC in writing whether it concurs that all requirements of this Agreed Order have been completed. The Cabinet reserves its right to enforce this Agreed Order, and BWUOC reserves its right to file a petition for hearing pursuant to KRS 224.10-420(2) contesting the Cabinet's determination.

CASE NO. DOW 20-3-0001

AGREED TO BY:



Josiah Cox, President
Bluegrass Water Utility Operating Company, LLC

3-26-2020
Date

CASE NO. DOW 20-3-0001

APPROVAL RECOMMENDED BY:



Michael B. Kroeger, Director ~~Asst. Dir.~~
Division of Enforcement

4/1/2020
Date



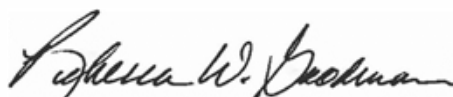
Elizabeth U. Natter, Executive Director
Office of General Counsel

August 10, 2020
Date

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Energy and Environment Cabinet this 10 day of August, 2020.

ENERGY AND ENVIRONMENT CABINET

A handwritten signature in black ink, appearing to read "Rebecca W. Goodman". The signature is written in a cursive style and is positioned above a horizontal line.

REBECCA W. GOODMAN, SECRETARY of the
ENERGY AND ENVIRONMENT CABINET

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this 10 day of August, 2020.

Bluegrass Water Utility Operating Company, LLC
Attn: Jacob Freeman
1650 Des Peres Road, Suite 303
St. Louis, MO 63131

And ~~mailed, messenger to:~~ Electronically mailed to:

Michael B. Kroeger, Director
Division of Enforcement
300 Sower Blvd.
Frankfort, Kentucky 40601

Elizabeth U. Natter, Executive Director
Office of General Counsel
Energy and Environment Cabinet
300 Sower Blvd.
Frankfort, Kentucky 40601



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Request

24. Describe why it would not be advantageous to customers to set a separate rate for each individual sewer system.

Response

For customers served by systems in greater distress at the time of Bluegrass Water's acquisition, the unified rate structure will offer a lower initial rate because their cost for service will be brought down to the average of all customers. For customers with systems that were not in as greatly distressed upon Bluegrass Water's acquisition, rates will initially be higher than the rates for that individual system may be on a standalone basis. However, over time, those systems will require similar reinvestment as the systems that received great upfront investment, which under regular circumstances, can be funded from the revenue generated by the proposed rates.

Request

25. Provide a copy of all of the agreements between the Company and/or its parent and the previous owners of the systems listed in paragraph 6 on page 3-4 of the application.

Response

See the response to 1 AG 1.f with respect to purchase agreements between the Company and/or its parent and the previous owners of the systems. Bluegrass Water has searched for any other such agreements with previous owners of the systems it has acquired or is acquiring, and has not found any other such agreement to provide.

Request

26. Describe whether the Company achieved any savings in the transactions in which it acquired the systems due to substandard condition of those systems and the need for improvements.
-

Response

The price Bluegrass pays to acquire utility assets in Kentucky is determined based on arms-length negotiations between Bluegrass and the assets' seller. In determining the value and viability of water and wastewater systems (and, therefore, the price it is willing to pay), Bluegrass considers the current condition of the system's assets and the amount of additional investment required to upgrade, replace, and improve those systems so they consistently provide safe and reliable service and fully comply with applicable health and environmental regulations. At the closings (the transactions in which it acquired the systems), Bluegrass did not receive any further discount of the purchase price due to any substandard condition or need for improvement of the respective system.

Request

27. Describe whether the previous owners of the systems breached agreements with customers which required the previous owner to maintain the condition of the system.

Response

Objection: Bluegrass objects and declines to answer this request for a legal opinion of unknown relevance about what each system's previous owner's obligations might be under unspecified agreements with customers and whether the previous owner's conduct was in breach of one or more of those obligations.

Request

28. Provide copies of any agreements between previous owners of the systems and system customers to the extent the company has access to those.

Response

Bluegrass Water has no such agreements.

Request

29. Describe whether and why rates should be set in perpetuity when many of the costs presenting the basis for those rates are one-time or short term-improvements required to bring a system back to acceptable and operable condition.

Response

Rates are not set “in perpetuity.” However, when setting rates the Commission is required by law to allow utilities to recover their reasonable operating costs and also provide a return of and on capital investments utilities make to serve customers. Bluegrass invests capital necessary to bring the systems it acquired into compliance with applicable regulations and to provide safe and reliable service to customers. Those investments are recovered through rates over the lives of the assets to which the investments relate. All elements relevant to rates – operating costs, plant investments, depreciation, taxes, and a fair return on invested capital – are reviewed and considered by the Commission in setting rates that are fair and reasonable to both the utility and its customers.

Request

30. At App. Exh. 6, the Company represents contractor costs of \$4,133 per month per plant site for Midwest Water Operations, LLC and \$1 per customer per month for Nitor Billing Services, LLC. Those amounts appear to be inconsistent with the compensation to be provided to those companies pursuant to the agreements appearing at App. Exh. 16-a, 16-b, and 16-c. Please explain those discrepancies and clearly and definitively represent the respective costs described by those representations.

Response

The operations contract with Midwest Water Operations, LLC appearing in App. Exh 16-A relates to the nine sewer plant facilities the Company acquired in 2019. The stated contract price of \$37,197.00 results in a monthly charge of \$4,133 per plant. The calculations contained in App. Exh 6 use this value only. For water and sewer plant facilities acquired in 2020, the monthly operations contract cost per plant is \$3,001.00 The \$1 customer per month for Nitor Billing Services was a calculation error as the contracted rate is \$2 per customer per month.

Request

32. Please discuss whether the Company considered the rate-making concepts of “rate shock” and “gradualism” when making the requests contained within the application. If so, specifically quantify the degree to which the Company’s proposal reflects such consideration.

Response

The Company is familiar with the concepts of "rate shock" and "gradualism" in rate making proceedings. With many of the systems acquired by Bluegrass Water, rates have not been adjusted in many years. If these systems were properly managed and maintained and rate adjusted accordingly under previous ownership, rates would have increased gradually over time. With the significant investment required to allow the systems to provide basic service and bring professional operations to manage the systems, the initial cost of service has increased significantly over previous ownership. In addition, costs associated with complying with ever-changing health and environmental regulations also have increased the cost of providing service. While the proposed rates in the Company's case are a significant increase over current rates, the Company believes that the rates proposed in this case are necessary to provide compensatory rates required by law. The increases proposed in this case also will allow rates to increase more gradually in the future.

Request

33. Identify and quantify all capital expenditures included in the calculation of rate base for which construction has not begun.

Response

The capital expenditures included in the calculation of rate base for which construction has not begun include the systems that Bluegrass Water had not acquired as of the original filing date of the rate case. This includes the projects scheduled for the systems at Arcadia Pines, Carriage Park, Marshall Ridge, Randview, Delaplain, Woodland Acres, Herrington Haven, and Springcrest. Anticipated costs for these capital expenditures are as follows:

| | |
|------------------|-----------|
| Arcadia Pines | \$45,000 |
| Carriage Park | \$100,000 |
| Delaplain | \$897,000 |
| Herrington Haven | \$179,200 |
| Marshall Ridge | \$65,000 |
| Randview | \$256,500 |
| Springcrest | \$76,000 |
| Woodland Acres | \$375,500 |

Request

34. Discuss whether the Company is in compliance with all requirements of the Commission as directed in Case No. 2020-00028, including any and all requirements related to its debt to equity ratio.

Response

Yes; Bluegrass is in compliance with the requirements of the Commission as directed in Case No. 2020-00028, or is taking substantial steps toward compliance for those requirements which are not yet due. For example, Bluegrass has made the filings required by the 6/19/20 Order, Para. 4, 5 and 11. The deadlines for Para. 6 and 7 have not yet run (as these are 6 months and 12 months post-closing). Bluegrass is keeping its records in compliance with Para. 8 as it has been required to do in earlier acquisition cases. Bluegrass is, in this pending rate matter, seeking the approval required by Para. 9. Bluegrass further plans to file the necessary KRS 278.300 application in the near future in accordance with Para. 10 as it works to address additional financing. Therefore, Bluegrass believes that it has complied with all requirements of the Commission as directed in the Order approving its acquisition in Case No. 2020-00028.

Request

35. See testimony of Jacob Freeman at App. Exh. 8-C. For all cost estimates provided for improvements, provide workpapers if any were created in the estimation of those costs.

Response

Capital Estimates were created by a third party engineering firm and work papers were not included.

Request

36. See testimony of Jacob Freeman at App. Exh. 8-C. Describe what constitutes “Construction Design and Investigative Services” as used through the testimony and identify who would perform those services.

Response

Construction Design and Investigative Services include costs related to the project that do not go toward the actual physical assets and construction. These include surveying the collection system, GIS work, engineering design services, ALTA survey of the treatment plant site, permitting, and any other professional services required for the projects. Surveying is typically done through a local surveying contractor. The data from the survey and GIS data collection is fielded through an engineering contractor who handles all of Bluegrass’s GIS database work. The engineering design services and permitting are handled by a contract engineer licensed in Kentucky. This includes the designs, plans and specifications for the projects.

Request

37. See testimony of Jacob Freeman at App. Exh. 8-C. Discuss why the cost of installing a mission alarm and smoke testing varies from system to system.

Response

The cost of Mission remote monitoring installation and setup varies from system to system with layout, number of items or pieces of equipment requiring monitoring; existing control system set up at a utility site will also affect the type of mission panel and the cost of set up for the Mission unit. Additionally, since the time some of these capital estimates were made the cost of Mission monitoring units has increased. Therefore, estimates created later will typically show an increased cost to account for the price increases. In wastewater systems, Mission monitoring is typically installed at the treatment facility as well as each lift station, so systems with one or more lift stations in the collection will have notably higher costs for the additional monitoring unit(s). Additionally, some systems required installation of a flow meter with the monitoring unit if a meter was not already present. All these factors contribute to varying costs for installation of Mission remote monitoring from system to system.

For smoke testing, the size, complexity, and amount of known of information available from previous ownership on the layout and specifications of the gravity portion of collection systems can significantly affect the amount budgeted for smoke testing. Larger, more complex systems with which Bluegrass has less background will often cost more. Similarly, systems with many diverging sections of collection system will often require more smoke

testing to effectively test the entire gravity collection system. All these factors contribute to varying costs for smoke testing from system to system.

Request

38. See testimony of Jacob Freeman at App. Exh. 8-C, p. 33, 38, 41, and 43. Confirm that “Mission Monitoring” should read “Mission Monitor Installation.” If not, describe why monitoring should constitute a construction item.

Response

In each of the testimony references cited in the request, the phrase “Mission Monitoring” should read “Mission Monitor Installation.”

Request

39. Provide a document identifying compensation and benefits for all CSWR, LLC employees.

Response

Please see the spreadsheet attached as KY2020-00290_BW_407.

CSWR, LLC & Subsidiaries

Employee Expense Detail

12/31/2020

| <u>Last</u> | <u>First</u> | <u>Title</u> | <u>Function/Department</u> | <u>Start Date</u> | <u>Base Salary</u> | <u>Auto Allowance</u> | <u>Payroll Tax</u> | <u>Health/Dent</u> | <u>ER 401k Contribution</u> | <u>Life/AD&D/STD Insurance</u> | <u>Annual Total</u> |
|-------------|---------------|--------------|---|-------------------------------|--------------------|-----------------------|--------------------|--------------------|-----------------------------|------------------------------------|---------------------|
| 1 | Cox | Josiah | President | Executive Team | 3/19/2014 | | | | | | |
| 2 | Mitten | Russ | General Counsel | Legal | 6/10/2019 | | | | | | |
| 3 | Duncan | Mike | Dir. Business Operations | Business Operations | 7/3/2018 | | | | | | |
| 4 | Culleton | Stacy | Dir. Customer Experience | Business Operations | 2/11/2019 | | | | | | |
| 5 | Silas | Aaron | Business Analyst | Business Operations | 10/30/2019 | | | | | | |
| 6 | Favor | Jami | Dir, Environmental Health & Safety | Environmental Health & Safety | 1/22/2019 | | | | | | |
| 7 | Stephens | Kaleb | Environmental Health & Safety Auditor | Environmental Health & Safety | 1/22/2019 | | | | | | |
| 8 | Moore | Marty | Chief Financial Officer | Accounting & Finance | 4/24/2020 | | | | | | |
| 9 | Thies | Brent | Controller | Accounting & Finance | 7/3/2017 | | | | | | |
| 10 | Indelicato | Mike | Accounting Manager | Accounting & Finance | 1/7/2019 | | | | | | |
| 11 | Bean | Bridget | Senior Accountant | Accounting & Finance | 2/26/2018 | | | | | | |
| 12 | Wilson | Tom | Accounting Manager | Accounting & Finance | 4/1/2019 | | | | | | |
| 13 | Obernuefemann | Krista | Accounts Payable Manager | Accounting & Finance | 9/24/2019 | | | | | | |
| 14 | Janowiak | Dan | Staff Accountant | Accounting & Finance | 4/24/2017 | | | | | | |
| 15 | Thomas | Forrest | SR Vice President of Operations | Business Development | 1/3/2017 | | | | | | |
| 16 | Nichols | Shawn | Dir, Bus Dev & Strategic Planning | Business Development | 8/20/2018 | | | | | | |
| 17 | Freeman | Jake | Director of Engineering | Engineering | 1/7/2019 | | | | | | |
| 18 | Neal | Sandy | Regional Director of Utility Acquisitions | Business Development | 4/1/2019 | | | | | | |
| 19 | Meany | Jon | Utility Engineer | Engineering | 4/9/2018 | | | | | | |
| 20 | Lucas | Ben | Engineer | Engineering | 1/1/2020 | | | | | | |
| 21 | Havrilka | Curtis | Accounts Payable Clerk | Accounting & Finance | 11/16/2020 | | | | | | |
| 22 | Chavez | Enrique | Utility Project Manager | Engineering | 10/12/2020 | | | | | | |
| 23 | Dick | Michael | Environmental Compliance Specialist | Environmental Health & Safety | 10/11/2020 | | | | | | |
| 24 | Alexander | Alica | Auditor, EHS | Environmental Health & Safety | 2/1/2020 | | | | | | |
| 25 | Williams | Penny | Customer Service Specialist | Business Operations | 1/6/2020 | | | | | | |
| 26 | Kriess | Fred | Regional Director of Utility Acquisitions | Business Development | 3/16/2020 | | | | | | |
| 27 | Hoppes | Spencer | Dir, Financial Planning & Analysis | Accounting & Finance | 8/3/2020 | | | | | | |
| 28 | O'Neill | Patrick | Financial Analyst | Accounting & Finance | 6/24/2020 | | | | | | |
| 29 | McMahon | JoAnna | Regional Director, Utility Operations | Environmental Health & Safety | 7/23/2020 | | | | | | |
| 30 | Davis | Katie | Regulatory Analyst | Business Operations | 12/1/2020 | | | | | | |
| 31 | Keubler | Mandy | Office Manager | Business Operations | 12/1/2020 | | | | | | |
| 32 | Whitten | Karissa | Paralegal | Legal | 1/4/2021 | | | | | | |

Request

40. Provide a document identifying compensation for all Bluegrass employees.

Response

Please see the electronic exhibit provided in response to Question 37 above for data used in Chart 1. Since Mr. D'Ascendis did not rely on data subsequent to August 31, 2020 in his direct analysis, all data subsequent to that date would be irrelevant to Mr.

D'Ascendis' direct analyses.

Request

41. Provide workpapers demonstrating that allocation of administrative costs from CSWR, LLC to the Company.

Response

Please refer to the application supplemental Schedule OHA1.

Request

42. Identify accumulated depreciation balances for all systems at the time they were acquired.

Response

Please see table below.

| <u>Acquired System</u> | <u>Accumulated Depreciation</u> |
|----------------------------------|---------------------------------|
| Airview Utilities | \$ 81,717.00 |
| Brocklyn Utilities | \$ 29,707.08 |
| Fox Run Utilities | \$ 110,410.00 |
| Center Ridge | \$ 222,627.17 |
| Randview ¹ | \$ - |
| LH Treatment | \$ 281,470.95 |
| Lake Columbia | \$ 71,853.00 |
| Carriage Park ¹ | \$ - |
| JoAnne Estates/Timberland | \$ 75,217.14 |
| Persimmon Ridge/PR Wastewater | \$ 165,043.91 |
| River Bluffs | \$ 140,198.00 |
| Arcadia Pines ¹ | \$ - |
| Marshall Ridge ¹ | \$ - |
| Marshall County | \$ 196,489.19 |
| Kingswood Development | \$ 103,444.92 |
| | \$ 1,478,178.36 |

Note

1. The Randview, Carriage Park, Arcadia Pines and Marshall Ridge systems were unregulated prior to acquisition and no historic accumulated depreciation balances were available.

Request

43. Identify all depreciation schedules for all systems.

Response

The depreciation schedules can be found in the workpapers provided in response to 1 PSC 01 as follows: Exhibit 21, Schedule B-3.1 for sewer and Exhibit 21, Schedule B-3.1 for water.

Request

44. Confirm that a proxy group for the Company does not exist for the purpose of setting cost of debt.

Response

The Company confirms that a proxy group for the Company does not exist for the purpose of setting cost of debt.

Request

45. Why should the Commission use B-rated or CCC-rated utility debt as a proxy for the purposes of cost of debt when the improvements to be made by the company based on the proposed rate structure should theoretically leave the Company in a strong financial position with stable assets that are no longer “distressed”?

Response

As explained in Ms. Nelson’s Direct Testimony at 9, at the time she developed her testimony the Company was in the process of negotiating terms for a loan and expected the rate to be in the range of 9% to 10%. The purpose of reviewing below investment grade utility bond yield curve data was to assess the reasonableness of the range of rates the Company expected to receive on its loan.

As Ms. Nelson explains at page 10 of her Direct Testimony, B-rated and CCC-rated utility debt is not fully reflective of the risks facing small, distressed water utilities such as Bluegrass Water. Notably, the fact that there is market data available for B-rated and CCC-rated utility debt yields demonstrates that a market exists for traditional financing for below-investment grade utilities.

As Ms. Nelson explains at page 9 of her Direct Testimony, small, distressed water utilities such as Bluegrass Water cannot attract traditional financing from commercial lenders. There is no established market for financing small, distressed utilities. For that reason, yields on B-rated and CCC-rated utility debt are likely to be conservative estimates for debt financing cost rates available to small, distressed water utilities such as Bluegrass Water. In Ms. Nelson’s opinion, B-rated and CCC-rated utility debt rates support the reasonableness of the Company’s requested cost of debt.

Request

46. Has the Company obtained and/or is the Company seeking any funds/grants from federal and/or state sources which have been or will be made available to drinking water and/or wastewater facilities? If so, identify the source and amount of those funds/grants. If not and funds/grants are available for which the Company is eligible, explain why the Company is foregoing those opportunities.

Response

The Company is not currently aware of any federal or state funds that are available to investor owned utilities for capital investment in water or wastewater infrastructure. The Company is regularly researching and exploring federal and state programs for infrastructure investment and will pursue any opportunities available.

Request

47. Explain in detail how the Company has complied with KRS 278.2201 to 278.2213 regarding affiliate transactions.

Response

Bluegrass keeps its accounts separate from those of its affiliates.

As discussed in its response to 1 PSC 17, Bluegrass does not provide any services or products to its affiliates. In addition, Bluegrass does not provide nonregulated services or products, either directly or through an affiliate.

As discussed in its response to 1 PSC 16, Bluegrass is provided services by its affiliates.

Request

48. Provide a copy of any and all cost allocation manual(s) related to the operations of CSWR, LLC, Bluegrass Water, and/or affiliates.

Response

No formalized manual exists. CSWR's allocation policy is explained in the direct testimony of company witness Brent G Thies on page 11 of 16. *See also*, Bluegrass's responses to 1 PSC 03 and 04.