

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Received
on
FEB 08 2012

by
State Corporation Commission
of Kansas

In the Matter of the Application of Howison)
Heights, Inc. for Approval of Certain)
Changes in its Charges for Water Service.)

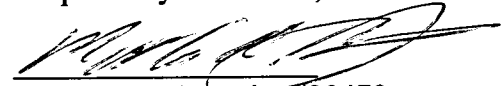
Docket No. 12-HHIW-382-RTS

Notice of Filing of Staff's Report and Recommendation

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission" respectively) and hereby files its Report and Recommendation in the above captioned docket, attached as "Attachment A" and hereby incorporated by reference.

WHEREFORE, Staff respectfully submits its Report and Recommendation to the Commission for consideration.

Respectfully Submitted,



Matthew A. Spurgin, #20470
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Attorneys for Commission Staff

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

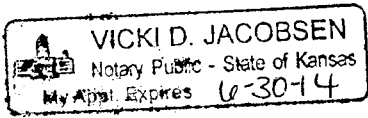
VERIFICATION

Matthew A. Spurgin, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Report and Recommendation* and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Matthew A. Spurgin, # 20470
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 8th day of February, 2012.



Vicki D. Jacobsen
Notary Public

My Appointment Expires: 6-30-14

ATTACHMENT "A"

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Mark Sievers
Commissioner Ward Loyd
Commissioner Thomas E. Wright

FROM: Bill Baldry, John Bell, Jaime Stamatson, and Laura Bowman

DATE: February 6, 2012

DATE SUBMITTED TO EXECUTIVE DIRECTOR: 2/6/12

DATE SUBMITTED TO LEGAL: 2/6/12

DATE SUBMITTED TO COMMISSIONERS: _____

SUBJECT: In the Matter of the Application of Howison Heights, Inc., for Approval of Certain Changes in its Charges for Water Service; Docket No. 12-HHIW-382-RTS

EXECUTIVE SUMMARY:

In its Application filed on November 22, 2011, Howison Heights, Inc. requested a \$41,652 increase in its revenues. Staff has calculated a Revenue Requirement of \$20,981 pursuant to its investigation and audit. This report addresses Staff concerns regarding Howison Height's current financial condition, its record keeping practices, and includes a list of recommendations that will improve the effectiveness of the Company's future operations and financial reporting.

BACKGROUND:

On November 22, 2011, Howison Heights, Inc. ("Howison", "Applicant" or "Company") filed an Application to make certain changes in its charges for water service. Howison is a small company, serving 62 customers in a small geographic area in Saline County, Kansas. Howison's total revenues were \$38,463 for the Test Year ending December 31, 2010. The Applicant is

requesting a rate increase of \$41,652 in annual revenues, or a 108% increase. On January 10, 2012 and January 13, 2012, Commission Staff and the Citizens' Utility Ratepayer Board (CURB) submitted motions to proceed under K.A.R. 82-1-231b and to waive certain procedural regulations, respectively. On January 18, 2012, the Commission granted permission to proceed under K.A.R. 82-1-231b and waived the requirement of K.A.R. 82-1-231b(b)(2)(C) regarding a public meeting. Howison received its certificate of convenience on September 26, 2005, in Docket No. 05-HHIW-277-COC. The Application filed with the Commission on November 22, 2011 is the Company's first rate case with the Commission, since receiving its certificate. This rate case is Howison's second rate increase since its inception in 1971.

History of Howison Heights, Inc.

In 1971, Charles Howison purchased 160 acres plus ¼ acre approximately three miles north of I-70 just west of Ohio Street in Salina, Kansas for the purpose of developing the land.¹ At the time of purchase, the land did not have any water accessible to accommodate the newly developed homes.² As a result, Mr. Howison drilled and began pumping water for the new homes located in the Saline River Basin. Mr. Howison continued to purchase various small parcels of land totaling 60 acres between 1971 and 1978.

In 1984, Charles Howison retired from the land development and water business, and sold the water company to his son Tim Howison (current owner of Howison Heights, Inc.). Between 2004 and 2006, Tim Howison purchased an additional 320 acres, called Big Valley, just north and east of the land his father had purchased in the 1970's in an effort to expand both the current residential development area and the water company.³ Mr. Howison has continued to drill wells on the newly purchased acreage, and has found large quantities of water in the Dakota Formation.⁴ While Mr. Howison has the capacity needed to supply wholesale customers, he is only selling water on a retail basis to the 62 customers located in the development area.

¹ The 160 acres Mr. Howison purchased is located about 3/4th of a mile north of the Saline River.

² The older development was built in the early 1970's.

³ The lot sizes of the Applicant's customers range from as small as one acre up to 24 acres with most lots in the 3 acre to 5 acre range.

⁴ The water in the Dakota Formation is much softer water than the water pumped in the wells from the land purchased in 1971. The current cost to drill a water well 110 feet deep with a five inch diameter, and to install the well's casing and properly grout the well (which is required by State of Kansas regulations) would be approximately \$3,000 in Saline County. The \$3,000 cost excludes other costs the drilling of a well may incur such as the cost of the

Currently, Howison Heights has three water wells, with depths of 75 feet, 118 feet, and 133 feet. Each well has an average of 68 feet of water that can be pumped to meet the customer's water needs. At this time, Mr. Howison has enough water capacity to supply all of his customers' needs by using only two of the three wells. However, due to the financial constraints of the Company the Applicant does not have sufficient funds to install a water storage tank. As a result, Mr. Howison only pumps water to its customers as it is needed.⁵

Howison Heights, Inc. Financial Condition

Howison Heights uses the cash method to record its revenues and expenses, except for depreciation expense. Under the cash method, Howison experiences the following:

- Revenues: Howison recognizes revenue as earned when the Company receives cash from its customers. Howison does not have difficulty in collecting water payments from its customers, so there is little lag time between the beginning of the calendar month, when Howison bills its customers, and when the Company actually receives payment from its customers.
- Expenses: Howison recognizes an expense when the Company pays the expense. During Staff's on-site visit it became obvious that the Company has an extensive history of paying expenses late, sometimes as much as several years (as in the case of paying its property taxes). If a Company does not pay a regular recurring expense (such as property taxes) for several years, the cash method will not accurately reflect the activity of a particular year because expenses are understated in the years no payment is made and expenses are overstated in the year when multiple years of expenses are paid.
- Depreciation: Howison Heights uses accelerated depreciation methods based on income tax law to recognize depreciation expense on the Company's property, plant and equipment.

Staff's audit also discovered that Mr. Howison does not deposit all payments received for water sales exclusively in the Howison Heights, Inc. checking account, and that Mr. Howison does not

permit to drill, disposal of saltwater, drilling through thick rock formations, well collapse due to sand formations, drilling a larger diameter well, etc.

⁵ The Applicant does own a 90,000 gallon standpipe that was purchased in 1995, but due to the financial condition of the Company, Mr. Howison does not have the funds needed to install the standpipe.

pay the water companies expenses exclusively from the Howison Heights, Inc. checking account.

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Staff was able to trace some of the expenses reported in the Company's income statement (Exhibit No. 7 in the Application) to original documents and invoices, but a sizable percentage of reported expenses had no support. Mr. Howison stated several times during Staff's two on-site visits that he provided all of the Company's receipts and invoices to the public accounting firm to record in the Applicant's general ledger, but that Mr. Howison did not receive all of the documents back for the year 2010. Also, the employee at the public accounting firm who was responsible for recording Mr. Howison's expenses recently left the firm, so Staff was not able to determine what had happened and who was responsible for the missing documents.

Howison Heights is in dire financial condition. The Company's debt of \$315,244⁷ far exceeds the Company's net property, plant and equipment of \$95,110. The Company has incurred operating losses so large over the years that the retained earnings account has a negative balance. The negative retained earnings balance of \$280,575 overwhelms the positive balances in the Company's common stock and paid in capital and results in a negative equity balance of \$239,269. Since Howison Heights has an overall negative equity balance, the Company has had to rely on bank loans to finance its continuing operating losses. Additionally, the Company's revenues of \$38,463 are less than half of its \$80,116 of expenses for 2010 as shown in Schedule B-1, Column A of WEB Exhibit No. 1.

Mr. Howison's dire financial condition is also evident in the fact that multiple payments are deferred on various items due to a lack of cash. Mr. Howison was four years behind in paying the Company's property taxes prior to 2010. In 2010, Mr. Howison was able to pay Saline County all of the back taxes and penalties the Company owed due to an inheritance. Currently, Mr. Howison is behind in paying his public accountant for financial reporting and income tax preparation services rendered during 2010. Additionally, Mr. Howison is frequently unable to pay for repair and maintenance services on the water system at the time the services are rendered and attempts to sell undeveloped land to pay the Company's debts when possible.

⁶ Staff's audit showed that several deposits for payment(s) received from the sales of water were deposited in a non-Howison Heights, Inc. checking accounts. Additionally, Mr. Howison used a checking account other than the Applicant's to pay some of the Applicant's operating expenses during the Test Year.

⁷ Source: Exhibit No. 5 in the Application

If Mr. Howison were able to install a standpipe the financial and operating condition of the water company would improve in several ways. An operating standpipe would reduce the wear and tear on the system's water pumps, extend the life of the water pumps, and provide increased fire protection and water pressure. The standpipe has been lying on the ground for 16 years because Mr. Howison does not have the funds necessary to install it.

Monthly Water Bill Comparison

Howison's 62 customers use an average of 8,000 gallons each month. Based on an 8,000 gallon usage, the following table compares Howison's current and proposed rates to neighboring Ottawa #2 Rural Water District, and the City of Salina's water rates. Please note, the amount shown in the table below for the City of Salina includes a monthly meter charge of \$4.74, a customer charge of \$6.77 for waste water, and a \$36.88 charge for waste water based on volume.

Usage in Gallons	Howison Current Rates	Howison Proposed Rates	Ottawa #2 Rural Water District	City of Salina
8,000	\$41.00	\$80.26	\$63.26	\$79.43

ANALYSIS:

Staff's accounting schedules, which summarize the results of Staff's review of the Applicant's revenue requirement request, are attached to this memo as WEB Exhibit No. 1, which consists of schedules that summarize Staff's findings with regard to Howison's operating income (see Schedules B-1 through B-3). Staff's proposed revenue requirement results in a revenue increase of \$20,981 (Schedule Rev Req, Line 7).

Operating Margins

Staff's findings with regard to operating margins are summarized on Staff Schedule B-1 of WEB Exhibit No. 1. The Test Year actual net operating margin of (\$41,653) is shown on line 24,

columns A and C of Schedule B-1. Mr. Howison's application relied on test year amounts and therefore did not contain any pro forma adjustments to the Test Year.⁸

Exhibit No. 8 in the Application was used to calculate the Company's revenue deficiency, and is shown in Column A of Staff Schedule B-1. Exhibit No. 7 provides a breakdown of Howison's expenses based on a two and four year average and can be compared to the 2010 actual expenses. The detail of 2010 Income can be found in Exhibit No. 6.

Due to the large volume of missing information, Staff has relied on several different types of information. If available, Staff relied on actual invoices or statements. If a cost was not supported, Staff then relied on a combination of invoices and/or general ledger entries. Since Howison's general ledger detail is prepared by an external accounting firm, Staff believes the information can be relied upon for setting an appropriate level of expense.

Staff has reviewed Howison Heights' Application and is recommending the following Income Statement adjustments:

Staff Adjustment No. 1

Staff Adjustment No. 1 increases water revenues by \$2,069. This adjustment increases water revenue to equal the amount billed to Howison's customers during the Test Year.

Staff Adjustment No. 2

Staff Adjustment No. 2 decreases revenue from meter hookups by \$8,400. The Company had three hookups in 2010 at \$4,200 per hookup that resulted in hookup revenue of \$12,600, but no hookups were made to its water system in 2011. Based on current economic conditions, Staff believes it is unlikely that the Company will have three hookups every year on a going forward basis, but it is also unlikely that the Company would have no hookups in the future. As a result, Staff has reflected one water hookup fee in the cost of service calculation as it is reasonable to assume that the Company would have at least one hookup per year in the future. As a result, Staff's Adjustment reduces hookup fees by \$8,400 (or two hookups) to reflect the revenues for one meter hookup per year.

⁸ Please note that Exhibit No. 7 in the Application reports expenses paid during the Test Year and matches the amounts recorded in the general ledger, except for supplies expense. Staff could not find a source document for supplies expense.

Staff Adjustment No. 3

Staff Adjustment No. 3 increases auto expense by \$2,151. The Applicant's auto expense only reflects fuel expense for trips to Howison Heights for water activity purposes. Staff believes Howison has understated auto expenses by omitting repairs, maintenance, and depreciation expense on the Applicant's vehicle. Without receipts for actual maintenance and a mileage log, Staff has estimated Howison's auto expense by taking the standard business mileage the Internal Revenue Service has allowed for 2010 and multiplied it by the estimated miles driven. Staff then added the actual diesel fuel expense Howison incurred for running the backhoe, which is used for water business purposes only, in calculating an annualized level of auto expense. As a result, Staff's adjustment represents a more accurate reflection of auto expenses Mr. Howison incurred for water company business during 2010.

Staff Adjustment No. 4

Staff Adjustment No. 4 decreases bank fees by \$367. The Applicant incurred several bank overdraft and late fees during 2010, and included those fees as an expense in the Application. Overdraft and late fees are expenses that can be avoided by using good cash management practices, and should not be recovered through base rates. Therefore, Staff's adjustment removes the overdraft and late fees from the Applicant's operating expenses.

Staff Adjustment No. 5

Staff Adjustment No. 5 increases contract labor by \$3,427. Howison's Application includes a four year average of contract labor expense in Exhibit No. 8. Staff reviewed the contract labor expense account in the Applicant's general ledger, and determined that the amount in the general ledger is a more accurate reflection of the contract labor expense that is likely to be incurred on a going forward basis. Therefore, Staff recommends an adjustment to reflect actual contract labor expenses paid during the test year.⁹

Staff Adjustment No. 6

Staff Adjustment No. 6 decreases depreciation expense by \$330. The depreciation expense reported in the Application is based on the accelerated depreciation method, which is allowed

⁹ Exhibit No. 7 in the Application reports the Contract Labor expense recorded in the general ledger for the Test Year.

under the Internal Revenue Code. Staff's adjustment re-calculates Howison's depreciation expense on the straight line depreciation method and adjusts the useful life of the equipment. Staff's adjustment is consistent with other utilities in using straight line depreciation method to calculate a utility's depreciation expense. Additionally, Staff's proposed depreciation rates are consistent with the Commission approved depreciation rates as described in the 07-SUBW-1352-RTS, Suburban Water rate case. The only exception is with the water pumps, which Staff is requesting a depreciation rate based on a five year useful life. Water pumps normally last about 10 years, provided the water company has a water tank or a standpipe. If a company has a water storage facility, the pump can act as designed by pumping for an extended period of time and then shutting off for an extended period of time. Since the Company does not have a water storage facility, the water pump turns on and off for short periods of time as consumers use the water throughout the day. If a water pump turns on and off many times during the day, the water pump will not last as long as it would under normal conditions. Staff's proposal to use a five year life for water pumps is based on actual Company experience.

Staff Adjustment No. 7

Staff Adjustment No. 7 decreases interest expense by \$35,469. The amount of interest expense reported in Exhibit No. 8 of the Application includes principal and interest payments based on new loans that were refinanced in December 2011. Staff's adjustment only reflects an annual level of interest expense and is comprised of the following adjustments:

- A typical utility will borrow money and use stockholders' equity to buy property, plant, and equipment to replace old and worn out equipment as well as to buy new equipment. The utility receives the return of its investment in property, plant, and equipment through depreciation expense. Since depreciation expense is a component of a utility's rates, Howison's customers are providing the funds necessary to repay the Company's capital investments. Since depreciation expense includes the reimbursement of capital investment, it is only proper to exclude principal payments for outstanding loans from interest expense.

- The Applicant's total debt in Exhibit No. 4 (the public accountant's prepared Statement of Assets, Liabilities and Equity) totals \$325,870.¹⁰ The Applicant's Net Property, Plant and Equipment (also shown in Exhibit No. 4) totals only \$95,110. Because the loan balances exceeded Howison's Net Property, Plant and Equipment, Staff can only speculate what the Applicant spent the money on besides buying property, plant and equipment. Since Staff could not trace what the loan proceeds were used to purchase, Staff's adjustment limits the debt portion in calculating interest expense to the balance of Net Property, Plant and Equipment reported in the Application.
- The Applicant has two loans outstanding with Bennington State Bank and one loan outstanding with Central National Bank. The interest rate on the loan at Central National Bank differs from the interest rate on the loans at Bennington State Bank, so Staff calculated an interest rate based on a weighted average for the outstanding loan balances on each bank's loans. Staff's adjustment calculates interest expense by multiplying the weighted interest rate by the Applicant's Net Property, Plant and Equipment. Due to the negative stockholder's equity reflected on the balance sheet, Staff is assuming the Applicant purchased all of its property, plant and equipment using borrowed money so no allocation was made in assuming the Applicant used stockholder's equity in equipment purchases.

Staff Adjustment No. 8

Staff Adjustment No. 8 increases legal and accounting expense by \$65. The expense shown in the Application is based on the amount paid during the Test Year, rather than the amount incurred. Staff's adjustment is necessary to reflect the amount of accounting services incurred (rather than paid) during the Test Year.

¹⁰ Due to the lack of information and record keeping, Staff was not able to trace what the various loan proceeds were used to purchase over the years.

Staff Adjustment No. 9

Staff Adjustment No. 9 decreases mowing expense by \$100. The Applicant was not able to provide documentation for mowing expense reported in the Application. Staff's adjustment reflects the level of mowing expense as reported in the general ledger.¹¹

Staff Adjustment No. 10

Staff Adjustment No. 10 decreases permits and fees expense by \$979. The permits and fees expense in the Application includes a late payment fee related to the Applicant's property taxes. Ratepayers should not be responsible for fees the Company could avoid through good management practices; therefore, Staff's adjustment removes the late payment fee from the Applicant's expenses.

Staff Adjustment No. 11

Staff Adjustment No. 11 increases postage expense by \$323 to recognize the monthly water billings the Company mails to its customers each month that were not reflected in the Company's Application.

Staff Adjustment No. 12

Staff Adjustment No. 12 decreases repairs and maintenance expense by \$85. As mentioned above, Staff believes the Company's general ledger is a fairly accurate reflection of the Company's expenses paid during the Test Year. The Applicant was not able to provide documentation for all of the repairs and maintenance expense reported in the Application, therefore, Staff's adjustment reflects the amount of repairs and maintenance expense as reported in the general ledger.

Staff Adjustment No. 13

Staff Adjustment No. 13 increases supplies expense by \$646. The Applicant was not able to provide documentation to support all of the supplies expense reported in the Application. Staff's adjustment reflects the level of supplies expense that was reported in the general ledger.

¹¹ The Applicant gives all of the Company's documents, bills, and invoices to its public accounting firm. An employee of the accounting firm posts the bills and invoices into the Applicant's general ledger, so Staff believes the general ledger is a fairly accurate reflection of Company expenses that were paid during the Test Year.

Staff Adjustment No. 14

Staff Adjustment No. 14 decreases utility property tax expense by \$1,322. The amount of property tax reported in Exhibit No. 8 of the Application represents a two year average of property tax that the Company paid to Saline County. Staff's adjustment contains the following items:

- First Component – Staff reduced the Company's property tax by \$2,495 to equal the actual amount of property taxes Howison owed Saline County for 2011. This adjustment removes multiple years of property taxes paid in 2010, and also removes penalty assessments for non-payment of property taxes for previous years.
- Second Component – Staff increased the Company's property tax by \$279 for Saline County sales tax the Company owes for retail water sales made to its customers during the Test Year. The Company excluded the sales tax owed to Saline County for water sales during the Test Year from its Application. This adjustment reflects the appropriate level of sales tax expense the Company should incur on a going forward basis.
- Third Component – Staff increased the Company's property tax by \$894 for the water protection fee the Company owes the State of Kansas for water sales made to its customers during the Test Year. The Company excluded the water protection fee from its Application, so this adjustment must be made to include the fee in the Company's expenses.

Staff Adjustment No. 15

Staff Adjustment No. 15 increases the expense for utilities by \$210. The utilities expense reported in the Company's Application is based on the amount of utility expense the Company paid during the Test Year, rather than the actual amount of utility expense incurred. Staff's adjustment reflects the actual dollar amount of utility expense incurred during the Test Year.

Staff Adjustment No. 16

Staff Adjustment No. 16 increases donation expense by \$85. The Company did not include the donations it made to various charitable organizations during the Test Year. Staff's Adjustment reflects one-half of the contributions the Company made during the Test Year, which is consistent with K.S.A 66-101(f).

Staff Adjustment No. 17

Staff Adjustment No. 17 increases income tax expense by \$712. This adjustment is composed of an increase in state income tax of \$155 and federal income tax of \$557. This adjustment reflects the increase in federal and state income taxes related to Staff's calculation of Howison Heights' profit margin using the operating margin approach.

Operating Margin

Schedule Rev Req of Staff Schedules bases the revenue requirement on an 8% operating margin for Howison Heights.

RATE DESIGN ANALYSIS:

Howison's proposed rate design, shown in figure 11 of the Application, is intended to raise annual revenues of \$55,584. However, Staff has found several errors in its calculations. Multiple customers are charged nothing when zero usage occurs, but under the proposed rates these customers should receive a charge of \$40 regardless of whether or not they used any water. Also, there are errors calculating volumetric charges. Correcting these errors results in annual revenues of \$56,328.

Staff calculates a total operating expense of \$48,371. Adjusting this number by the addition of income taxes in the amount of \$873, the subtraction of one meter hookup fee of \$4,200, and adding in required operator margin of \$3,870 yields yearly revenues of \$48,914, required to be recovered through the sales of water. Staff's proposed rate design achieves this through both a fixed monthly charge independent of usage and a volumetric charge. The following table illustrates Staff's proposed rate design along with Howison's proposed rate design for comparison.

	Staff	Howison
Fixed Charge	\$35	\$40
1,000-9,000 gallons	\$4.032	\$5.032
10,000-16,000 gallons	\$3.032	\$4.032
17,000- 25,000 gallons	\$3.032	\$3.032
Over 25,000 gallons	\$3.382	\$2.382
Revenues	\$48, 935	\$56,328

RECOMMENDATION:

Howison Heights, Inc. is a small water utility company serving only 62 customers with less than \$40,000 in annual revenue. This docket is the Company's first rate case with the Kansas Corporation Commission. To improve the deficiencies Staff discovered during its audit in the rate case and to ensure customers continue receiving a sufficient water supply, Staff recommends the following:

- Mr. Howison shall file a report within nine months of the Commission's Order that includes the following:
 - a. Long Term Plan – Mr. Howison shall prepare a long term plan that outlines his intentions for the water company for the next five years. Additionally, Mr. Howison should prepare a plan that provides the water company with a sound financial footing as well as describes how he plans to build equity.
 - b. Succession Plan - Mr. Howison shall develop a plan that discusses who will take over operating the water system upon his retirement.
 - c. Create a plan that discusses Mr. Howison's intentions if Howison Heights, Inc. should go bankrupt in the future. The bankruptcy plan shall discuss the various alternatives of how water can continue to be provided to its customers while the Company is in bankruptcy.

- Rate Case Filing - Howison Heights, Inc. shall schedule a meeting with KCC Staff no later than May 1, 2012 to review the water companies revenues and expenses.
- Checking Account - Howison Heights, Inc. shall maintain a checking account that is used exclusively for water operations.
- Revenues - All money received from the Company's water customers shall be deposited in the Howison Heights, Inc. checking account.
- Expenses - All Company expenses shall be paid out of the Howison Heights, Inc. checking account.
- Transfers of Money – Whenever Mr. Howison transfers money to or from Howison Heights, Inc., Mr. Howison shall either write a check or create a note receivable or note payable (whichever applies in the transaction) to document the transfer of money.
- Cash Payments – If Mr. Howison makes a cash or check payment to someone for work performed on the water system, Mr. Howison will create a receipt for the payment identifying what service was performed, the date paid, and the dollar amount. The payment then needs to be recorded in the Howison Heights, Inc. general ledger.
- Discounts – If Mr. Howison grants a discount to a customer's water bill for services the customer performed for the benefit of the water system, Mr. Howison shall prepare a receipt for the value of the services the customer provided. Mr. Howison shall record revenue billed to the customer at its full amount, and record the discount as an expense in the appropriate expense account that reflects the kind of service the customer performed.
- Property Insurance – Mr. Howison shall purchase property liability insurance for Howison Heights, Inc. water operations.
- Maintenance of Records – Mr. Howison shall create and maintain a file folder for the Company's revenues, and a separate file folder for each expense item shown on Staff Schedule B-1. The revenue folder will contain each month's customer billings for the calendar year. The expense folders will contain invoices of the various expenses based on when the expense was incurred (not paid) for products purchased and services rendered to the Company during the calendar year. The revenue worksheets and expense invoices

will be placed in the appropriate calendar year's folders based on the year the water was sold and the expenses incurred. The Company will not place revenues and expenses in file folders based on when the Company receives money from its customers nor the year the Company paid for purchases or services rendered. Mr. Howison shall create new file folders for the Company's revenues and expenses for each future calendar year.

- Quarterly Review – Staff shall review Mr. Howison's maintenance of records at the end of each quarter in 2012 or until Mr. Howison demonstrates that the maintenance of records process is working. Based on Staff's experience with Mr. Howison, Staff believes the time Staff spends on reviewing Mr. Howison's establishment and maintenance of the water company's records every quarter would make the next audit more accurate, more complete, and more efficient.
- Auto Expense - Mr. Howison shall write down the Company's truck's odometer reading on January 1st of each year.
- Auto Expense - Mr. Howison shall keep a written log of the trips he makes to the Company's certificated area and for other water related business. The log shall include the date of each trip to the certificated area. For all other water related trips, the log shall include the date, miles driven, and business purpose.
- Property, Plant and Equipment – Staff shall create a property, plant and equipment template for the Company. Mr. Howison will use Staff's template to input and maintain a schedule of property, plant and equipment for Company equipment purchases after January 1, 2012. The schedule shall contain the following information for each purchase:
 - a. Description of the equipment purchased or service performed if the service is capitalized
 - b. Month and year the equipment (or service performed) was placed in service
 - c. Original cost of the equipment or service
 - d. Estimated life of the equipment used for depreciation purposes. The Company will refer to Staff's depreciation schedule prepared in this docket to obtain the appropriate number of years in which to depreciate the new equipment.

e. Depreciation method

- Staff recommends that the Company be allowed to increase its revenue by \$20,981.

cc: Patrice Petersen-Klein, Executive Director

Jeff McClanahan, Chief of Accounting and Financial Analysis

Robert Glass, Chief of Economic Policy and Planning

In the Matter of the Application of)
Howison Heights, Inc., for Approval of the) DOCKET NO. 12-HHIW-382-RTS
Commission to Make Certain Changes in its)
Rates for Water Service)

SCHEDULES

PREPARED BY

STAFF

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

INDEX

SCHEDULE
NUMBER

REV REQ

STAFF ADJUSTED REVENUE REQUIREMENT

B-1

STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT

B-2

STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT

B-3

EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT

B-4

STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME

KCC/EXCEL/12-22-10
BB/HHIW/KS
REV REQ
2:31 PM
2/6/2012

HOWISON HEIGHTS, INC.
STAFF REVENUE REQUIREMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

DOCKET NO. 12-HHIW-382-RTS
SCHEDULE REV REQ
WEB EXHIBIT NO.1

LINE NO.	DESCRIPTION	STAFF ADJUSTED
*****	*****	*****
1	STAFF ADJUSTED TEST YEAR NET OPERATING EXPENSE	\$48,371
2	OPERATING MARGIN REQUIREMENT	<u>8.0%</u>
3	OPERATING MARGIN REQUIRED	3,870
4	STAFF ADJUSTED TEST YEAR OPERATING MARGINS	<u>(16,239)</u>
5	REVENUE INCREASE/(DECREASE) REQUIREMENT	20,108
6	GROSS UP FOR TAX EXPENSE	<u>873</u>
7	PROFORMA REVENUE REQUIREMENT INCREASE/(DECREASE)	<u><u>\$20,981</u></u>

HOWISON HEIGHTS, INC.
 STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2010

LINE NO.	DESCRIPTION	A APPLICANT JURISDICTIONAL PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED TEST YEAR	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED TEST YEAR	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA TEST YEAR
<u>OPERATING REVENUES:</u>								
1	SALE OF WATER	\$25,863		\$25,863	\$2,069	\$27,932	\$20,108	\$48,040
2	HOOKUP FEES	12,600		12,600	(8,400)	4,200		4,200
3	TOTAL REVENUES	\$38,463	\$0	\$38,463	(\$6,331)	\$32,132	\$20,108	\$52,240
<u>OPERATING EXPENSES:</u>								
4	AUTO	\$674	\$0	\$674	\$2,151	\$2,825		\$2,825
5	BANK FEES	465	0	465	(367)	98		98
6	CONTRACT LABOR	4,139	0	4,139	3,427	7,566		7,566
7	DEPRECIATION EXPENSE	10,337	0	10,337	(330)	10,007		10,007
8	INTEREST EXPENSE	41,400	0	41,400	(35,469)	5,931		5,931
9	LEGAL AND ACCOUNTING	575		575	65	640		640
10	MOWING	300	0	300	(100)	200		200
11	PERMITS AND FEES	1,978	0	1,978	(979)	999		999
12	POSTAGE	300		300	323	623		623
13	REPAIRS AND MAINTENANCE	5,832	0	5,832	(85)	5,747		5,747
14	SUPPLIES	5,077	0	5,077	646	5,723		5,723
15	UTILITY PROPERTY TAXES	4,488	0	4,488	(1,322)	3,166		3,166
16	UTILITIES	4,551		4,551	210	4,761		4,761
17	DONATIONS			0	85	85		85
18	TOTAL OPERATING EXPENSES	\$80,116	\$0	\$80,116	(\$31,745)	\$48,371		\$48,371
19	ADDITIONAL REVENUE FOR TAXES			\$0		\$0	\$873	873
20	LESS: TAX EXPENSE							(712)
21	LESS: TAX EXPENSE GROSS UP							(161)
22	NET OPERATING INCOME	(\$41,653)	\$0	(\$41,653)	\$25,414	(\$16,239)	\$20,981	\$3,870

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HOWISON HEIGHTS, INC.
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2010

DOCKET NO. 12-HHIW-382-RTS
 SCHEDULE B - 2
 WEB EXHIBIT NO. 1

LINE NO.	DESCRIPTION	A STAFF ADJUSTED TEST YEAR	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E STAFF ADJUSTMENT NO. 4	F STAFF ADJUSTMENT NO. 5	G STAFF ADJUSTMENT NO. 6	H STAFF ADJUSTMENT NO. 7	I STAFF ADJUSTMENT NO. 8
<u>OPERATING REVENUES:</u>										
1	SALE OF WATER	\$25,863	2,069							
2	HOOKUP FEES	12,600		(8,400)						
3	TOTAL REVENUES	\$38,463	2,069	(8,400)						
<u>OPERATING EXPENSES:</u>										
4	AUTO	\$674			2,151					
5	BANK FEES	465				(367)				
6	CONTRACT LABOR	4,139					3,427			
7	DEPRECIATION EXPENSE	10,337						(330)		
8	INTEREST EXPENSE	41,400							(35,469)	
9	LEGAL AND ACCOUNTING	575								65
10	MOWING	300								
11	PERMITS AND FEES	1,978								
12	POSTAGE	300								
13	REPAIRS AND MAINTENANCE	5,832								
14	SUPPLIES	5,077								
15	UTILITY PROPERTY TAXES	4,488								
16	UTILITIES	4,551								
17	DONATIONS	0								
18	TOTAL OPERATING EXPENSES	\$80,116	\$0	\$0	\$2,151	(\$367)	\$3,427	(\$330)	(\$35,469)	\$65
19	TAXES OTHER THAN INCOME TAXES	0								
20	INCOME TAXES - CURRENT & DEFERRED	0								
21	NET OPERATING EXPENSES	\$80,116	\$0	\$0	\$2,151	(\$367)	\$3,427	(\$330)	(\$35,469)	\$65
22	NET OPERATING INCOME	(\$41,653)	\$2,069	(\$8,400)	(\$2,151)	\$367	(\$3,427)	\$330	\$35,469	(\$65)

HOWISON HEIGHTS, INC.
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2010

LINE NO.	DESCRIPTION	J STAFF ADJUSTMENT NO. 9	K STAFF ADJUSTMENT NO. 10	L STAFF ADJUSTMENT NO. 11	M STAFF ADJUSTMENT NO. 12	N STAFF ADJUSTMENT NO. 13	O STAFF ADJUSTMENT NO. 14	P STAFF ADJUSTMENT NO. 15	Q STAFF ADJUSTMENT NO. 16	R STAFF ADJUSTMENT NO. 17
<u>OPERATING REVENUES:</u>										
1	SALE OF WATER									
2	HOOKUP FEES									
<hr/>										
3	TOTAL REVENUES									
<u>OPERATING EXPENSES:</u>										
4	AUTO									
5	BANK FEES									
6	CONTRACT LABOR									
7	DEPRECIATION EXPENSE									
8	INTEREST EXPENSE									
9	LEGAL AND ACCOUNTING									
10	MOWING	(100)								
11	PERMITS AND FEES		(979)							
12	POSTAGE			323						
13	REPAIRS AND MAINTENANCE				(85)					
14	SUPPLIES					646				
15	UTILITY PROPERTY TAXES						(1,322)			
16	UTILITIES							210		
17	DONATIONS								85	
<hr/>										
18	TOTAL OPERATING EXPENSES	(\$100)	(\$979)	\$323	(\$85)	\$646	(\$1,322)	\$210	\$85	\$0
19	TAXES OTHER THAN INCOME TAXES									
20	INCOME TAXES - CURRENT & DEFERRED									712
<hr/>										
21	NET OPERATING EXPENSES	(\$100)	(\$979)	\$323	(\$85)	\$646	(\$1,322)	\$210	\$85	\$712
<hr/>										
22	NET OPERATING INCOME	\$100	\$979	(\$323)	\$85	(\$646)	\$1,322	(\$210)	(\$85)	(\$712)

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HOWISON HEIGHTS, INC.
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2010

DOCKET NO. 12-HHIW-382-RTS
 SCHEDULE B - 2
 WEB EXHIBIT NO. 1

LINE NO.	DESCRIPTION	S TOTAL ADJUSTMENTS	T STAFF ADJUSTED

	<u>OPERATING REVENUES:</u>		
1	SALE OF WATER	\$2,069	\$27,932
2	HOOKUP FEES	(\$8,400)	\$4,200
3	TOTAL REVENUES	(\$6,331)	\$32,132
	<u>OPERATING EXPENSES:</u>		
4	AUTO	\$2,151	\$2,825
5	BANK FEES	(\$367)	\$98
6	CONTRACT LABOR	\$3,427	\$7,566
7	DEPRECIATION EXPENSE	(\$330)	\$10,007
8	INTEREST EXPENSE	(\$35,469)	\$5,931
9	LEGAL AND ACCOUNTING	\$65	\$640
10	MOWING	(\$100)	\$200
11	PERMITS AND FEES	(\$979)	\$999
12	POSTAGE	\$323	\$623
13	REPAIRS AND MAINTENANCE	(\$85)	\$5,747
14	SUPPLIES	\$646	\$5,723
15	UTILITY PROPERTY TAXES	(\$1,322)	\$3,166
16	UTILITIES	\$210	\$4,761
17	DONATIONS	\$85	\$85
18	TOTAL OPERATING EXPENSES	(\$31,745)	\$48,371
19	TAXES OTHER THAN INCOME TAXES	\$0	\$0
20	INCOME TAXES - CURRENT & DEFERRED	\$712	\$712
21	NET OPERATING EXPENSES	(\$31,033)	\$49,083
22	NET OPERATING INCOME	\$24,702	(\$16,951)

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HOWISON HEIGHTS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

DOCKET NO. 12-HHIW-382-RTS
SCHEDULE B-3
WEB EXHIBIT NO. 1

LINE NO. *****		INCREASE / (DECREASE) TO OPERATIONS *****
	<u>STAFF ADJUSTMENT NO. 1</u>	
1	SALE OF WATER	
2	To adjust water sales to equal the amounts on Howison Heights' monthly revenue work papers.	\$2,069
	<u>STAFF ADJUSTMENT NO. 2</u>	
3	HOOKUP FEES	
4	To adjust hookup fees to reflect the fees from one hookup per year.	(8,400)
	<u>STAFF ADJUSTMENT NO. 3</u>	
5	AUTO	
6	Adjustment needed to reflect auto expense based on the IRS' standard mileage rate for 2010.	2,151
	<u>STAFF ADJUSTMENT NO. 4</u>	
7	BANK FEES	
8	Adjustment required to reflect only monthly service charges for 2010.	(367)
	<u>STAFF ADJUSTMENT NO. 5</u>	
9	CONTRACT LABOR	
10	To reflect contract labor expense recorded in the Company's general ledger.	3,427
	<u>STAFF ADJUSTMENT NO. 6</u>	
11	DEPRECIATION EXPENSE	
12	To reflect depreciation expense based on the straight line method and on asset	
13	lives approved in a prior Suburban Water rate case.	(330)
	<u>STAFF ADJUSTMENT NO. 7</u>	
14	INTEREST EXPENSE	
15	To reflect interest expense based on the Company's rate base.	(35,469)
	<u>STAFF ADJUSTMENT NO. 8</u>	
16	LEGAL AND ACCOUNTING	
17	To reflect accounting expense billed to Howison Heights during the Test Year.	65

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HOWISON HEIGHTS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

DOCKET NO. 12-HHIW-382-RTS
SCHEDULE B-3
WEB EXHIBIT NO. 1

LINE NO. *****		INCREASE / (DECREASE) TO OPERATIONS *****
	<u>STAFF ADJUSTMENT NO. 9</u>	
18	MOWING	
19	To reflect mowing expense recorded in the Company's general ledger.	(100)
	<u>STAFF ADJUSTMENT NO. 10</u>	
20	PERMITS AND FEES	
21	To reflect permits and fees expense recorded in Howison Heights' general ledger,	(979)
22	excluding a late payment fee related to the Company's property taxes.	
	<u>STAFF ADJUSTMENT NO. 11</u>	
23	POSTAGE	
24	To reflect postage expense incurred during 2010.	323
	<u>STAFF ADJUSTMENT NO. 12</u>	
25	REPAIRS AND MAINTENANCE	
26	To reflect repairs and maintenance expense recorded in the Company's general ledger.	(85)
	<u>STAFF ADJUSTMENT NO. 13</u>	
27	SUPPLIES	
28	To reflect supplies expense recorded in the Company's general ledger.	646
	<u>STAFF ADJUSTMENT NO. 14</u>	
29	UTILITY PROPERTY TAXES	
30	To reflect actual property taxes, sales tax, and safe water drinking fee for 2010.	(1,322)
	<u>STAFF ADJUSTMENT NO. 15</u>	
31	UTILITIES	
32	To reflect actual utilities expense based on monthly utility bills for 2010.	210
	<u>STAFF ADJUSTMENT NO. 16</u>	
33	DONATIONS	
34	To record 50% of the donations Howison Heights made during 2010.	85

HOWISON HEIGHTS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2010

LINE
NO.

INCREASE / (DECREASE)
TO OPERATIONS

STAFF ADJUSTMENT NO. 17

35 INCOME TAXES - CURRENT & DEFERRED
36 To calculate current income taxes based upon Staff's adjustments

712

HOWISON HEIGHTS, INC.
 DOCKET NO. 12-HHIW-382-RTS
 STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME
 FOR THE TEST YEAR ENDED DECEMBER 31, 2010

LINE NO.	DESCRIPTION	A	B	C	D	E	F	G
		APPLICANT JURISDICTIONAL PER BOOKS	APPLICANT TEST YEAR ADJUSTMENTS	APPLICANT ADJUSTED TEST YEAR	STAFF TEST YEAR ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	STAFF PRO FORMA ADJUSTMENTS	STAFF PRO FORMA TEST YEAR
1	NET OPERATING AND MAINTENANCE EXPENSES	\$80,116	\$0	\$80,116	(\$31,745)	\$48,371		\$48,371
2	ADD: INTEREST EXPENSE	0		0	0	0		0
3	MARGIN REQUIRED	\$80,116	\$0	\$80,116	(\$31,745)	\$48,371		\$48,371
4	O & M MARGIN PERCENTAGE	8%	8%	8%	8%	8%		
5	MARGIN REQUIRED	6,409	0	6,409	(2,540)	3,870	873	4,742
<u>STATE TAXABLE INCOME</u>								
	FROM TO TAX RATE AMOUNT OVER							
6	0 50,000 0 4.00% 0					155		190
7	50,000 999,999,999 2,000 7.00% 50,000					0		0
8	KANSAS INCOME TAX - CURRENT	\$0	\$0	\$0	\$0	\$155		\$190
9	TAXABLE FEDERAL INCOME	\$6,409	\$0	\$6,409	(\$2,540)	\$3,715		\$4,553
<u>FEDERAL TAXABLE INCOME</u>								
	FROM TO TAX RATE AMOUNT OVER							
10	0 50,000 0 15.00% 0	0		0	557	557		683
11	50,000 75,000 7,500 25.00% 50,000	0		0	0	0		0
12	75,000 100,000 13,750 34.00% 75,000	0		0	0	0		0
13	100,000 335,000 22,250 39.00% 100,000	0		0	0	0		0
14	335,000 10,000,000 113,900 34.00% 335,000	0		0	0	0		0
15	10,000,000 15,000,000 3,400,000 35.00% 10,000,000	0		0	0	0		0
16	15,000,000 18,333,333 5,150,000 38.00% 15,000,000	0		0	0	0		0
17	18,333,333 999,999,999 35.00%	0		0	0	0		0
18	FEDERAL INCOME TAX - CURRENT	\$0	\$0	\$0	\$557	\$557		\$683
19	STATE EFFECTIVE TAX RATE					4.00%		
20	FEDERAL EFFECTIVE INCOME TAX RATE					14.40000%		
21	TOTAL MARGINAL TAX RATE	0.395500	0.395500	0.395500	0.395500	0.184000		
22	1 - TOTAL MARGINAL TAX RATE	0.604500	0.604500	0.604500	0.604500	0.816000		
23	NET TO GROSS MULTIPLIER					1.225490		
<u>SUMMARY OF INCOME TAXES - CURRENT AND DEFERRED</u>								
24	DEFERRED INCOME TAX	\$0	\$0	\$0	\$0	\$0		\$0
25	KS INCOME TAX - CURRENT	0	0	0	155	155		190
26	FED INCOME TAX - CURRENT	0	0	0	557	557		683
27	TOTAL INCOME TAXES - CURRENT AND DEFERRED	\$0	\$0	\$0	\$712	\$712		\$873

Howison Heights Water
 12-SUBW-359-RTS
 Income Statement
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 1

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Howison's Revenue Requirement		Staff's Revenue Requirement	
1	Revenue from Sale of Water	25,863		27,932	
2	Revenue from Hookup Fees	12,600		4,200	
3	Total Revenue		38,463		32,132
4	Auto Expense	674		2,825	
5	Bank Fees	465		98	
6	Contract Labor	4,139		7,566	
7	Depreciation Expense	10,337		10,007	
8	Interest Expense	41,400		5,931	
9	Legal & Accounting	575		640	
10	Mowing	300		200	
11	Permits & Fees	1,978		999	
12	Postage	300		623	
13	Repairs & Maintenance	5,832		5,747	
14	Supplies Expense	5,077		5,723	
15	Utility Property Taxes	4,488		3,166	
16	Utilities Expense	4,551		4,761	
17	Donations	-		85	
18	Total Expense		80,116	48,372	
19	Margin Requirement of 8%	-		3,870	
20	Total				52,242
21	Income Tax Expense	-			873
22	Revenue Deficiency		<u>(41,653)</u>		<u>(20,983)</u>

Howison Heights Water
 12-SUBW-359-RTS
 Revenue by Customer

WEB Exhibit No. 2
 Part 2

For the Test Year Ending December 31, 2010

Volume of Water Used by Customers

Route	Jan. in 1,000 Gallons	Feb. in 1,000 Gallons	Mar. in 1,000 Gallons	Apr. in 1,000 Gallons	May in 1,000 Gallons	Jun in 1,000 Gallons	Jul in 1,000 Gallons	Aug in 1,000 Gallons	Sep in 1,000 Gallons	Oct in 1,000 Gallons	Nov in 1,000 Gallons	Dec in 1,000 Gallons	Total in 1,000 Gallons
1	6	4	0	6	2	0	0	5	3	3	4	4	37
2	3	7	2	3	4	3	4	4	2	2	3	3	40
3	8	15	9	8	10	11	14	14	11	10	13	13	136
4	6	4	4	4	4	6	6	5	6	3	5	5	58
5	5	6	0	1	6	5	6	4	5	4	5	5	52
6	3	4	1	4	3	17	28	22	6	4	12	3	107
7	4	14	8	9	9	9	12	12	8	8	11	9	113
8	5	3	3	3	5	5	6	3	4	4	5	5	51
9	5	3	2	4	4	18	45	24	54	64	151	18	392
10	5	12	5	13	13	26	31	28	20	16	16	8	193
11	6	7	6	6	10	10	8	7	8	5	5	8	86
12	4	3	0	4	4	15	17	31	10	5	7	4	104
13	6	7	6	7	6	6	7	7	6	9	6	6	79
14	5	4	2	0	3	7	7	8	4	3	4	5	52
15	5	3	7	3	5	4	5	4	3	3	4	6	52
16	4	4	3	4	4	5	5	4	5	4	8	0	50
17	6	4	4	8	0	18	71	46	73	35	7	5	277
18	6	4	6	6	7	5	8	8	1	4	5	5	65
20	4	4	1	6	2	5	6	5	4	3	4	4	48
21	4	3	0	6	27	36	42	49	48	30	2	3	250
22	4	4	1	5	3	17	20	6	5	5	2	5	77
23	6	5	4	7	6	7	8	16	7	5	5	5	81
24	3	2	0	0	1	4	3	4	3	2	3	3	28
25	5	4	2	3	3	4	5	3	4	2	2	3	40
26	6	6	5	5	7	8	8	7	6	7	8	7	80
27	6	4	1	26	5	8	12	13	5	4	7	5	96
28	7	4	1	6	8	9	10	9	6	6	6	4	76
29	4	1	2	2	0	0	7	4	4	3	0	7	34

Howison Heights Water
 12-SUBW-359-RTS
 Revenue by Customer

WEB Exhibit No. 2
 Part 2

For the Test Year Ending December 31, 2010

Volume of Water Used by Customers

Route	Jan. in 1,000 Gallons	Feb. in 1,000 Gallons	Mar. in 1,000 Gallons	Apr. in 1,000 Gallons	May in 1,000 Gallons	Jun in 1,000 Gallons	Jul in 1,000 Gallons	Aug in 1,000 Gallons	Sep in 1,000 Gallons	Oct in 1,000 Gallons	Nov in 1,000 Gallons	Dec in 1,000 Gallons	Total in 1,000 Gallons
30	0	0	0	0	1	2	0	2	0	0	4	0	9
31	4	4	5	4	4	4	4	4	4	3	4	4	48
32	5	5	5	4	7	6	5	5	7	2	1	7	59
33	6	3	0	0	2	8	3	4	5	4	2	6	43
34	7	5	5	7	0	17	13	9	5	3	5	5	81
35	5	4	0	2	14	54	66	51	34	47	24	11	312
36	10	17	8	21	0	9	12	26	14	9	11	10	147
37	5	4	3	1	6	10	8	10	6	5	5	6	69
38	8	31	12	8	16	13	13	11	8	8	10	12	150
39	5	4	4	6	6	8	11	9	4	4	7	6	74
40	8	10	6	8	8	10	10	8	7	5	7	9	96
41	5	7	5	5	14	11	18	16	18	3	6	0	108
42	4	9	4	5	5	4	4	3	6	4	5	5	58
43	5	4	3	8	6	7	20	11	9	5	4	6	88
44	7	8	2	6	2	2	2	0	6	68	19	3	125
45	0	0	0	0	0	11	17	12	28	23	13	0	104
46	0	0	0	0	3	76	73	101	53	40	0	0	346
47	0	0	0	0	0	0	0	0	0	0	0	0	0
48	4	27	0	0	0	0	0	0	0	0	0	0	31
49	0	20	5	11	9	16	17	12	11	8	9	9	127
52	5	0	2	3	2	6	23	4	4	2	4	4	59
56	6	3	0	14	18	26	22	22	6	15	5	5	142
57	5	2	0	7	4	3	2	2	2	2	2	3	34
58			0	0	0	4	0	0	1	0	0	0	5
59	6	3	0	6	0	5	24	12	4	2	5	3	70
65	6	4	4	7	6	7	8	11	8	6	6	6	79
66	0	0	0	0	0	0	0	0	0	0	3	2	5
69	5	3	2	4	4	4	4	4	5	4	3	6	48
70	5	3	2	3	4	4	5	5	3	3	2	5	44

Howison Heights Water
 12-SUBW-359-RTS
 Revenue by Customer

WEB Exhibit No. 2
 Part 2

For the Test Year Ending December 31, 2010

Volume of Water Used by Customers

Route	Jan. in 1,000 Gallons	Feb. in 1,000 Gallons	Mar. in 1,000 Gallons	Apr. in 1,000 Gallons	May in 1,000 Gallons	Jun in 1,000 Gallons	Jul in 1,000 Gallons	Aug in 1,000 Gallons	Sep in 1,000 Gallons	Oct in 1,000 Gallons	Nov in 1,000 Gallons	Dec in 1,000 Gallons	Total in 1,000 Gallons
71	3	6	2	25	26	16	22	23	27	21	15	3	189
72	3	1	2	3	2	3	4	2	1	0	4	0	25
78	3	3	2	1	0	0	4	2	5	30	4	3	57
80	6	3	2	2	3	36	68	57	7	11	9	5	209
82	6	7	7	13	8	17	21	16	8	10	10	7	130
84											4	1	5
85												5	5
86 Total	288	345	177	343	341	667	904	806	627	600	522	315	5,935
87 Howison Heights Revenues													
88 Staff Adjustment													

Howison Heights Water
12-SUBW-359-RTS
Revenue by Customer

WEB Exhibit No. 2
Part 2

For the Test Year Ending December 31, 2010

Route	Revenue From Water Sales												Total Revenue
	Jan. Billing Dollars	Feb. Billing Dollars	Mar. Billing Dollars	Apr. Billing Dollars	May Billing Dollars	Jun Billing Dollars	Jul Billing Dollars	Aug Billing Dollars	Sep Billing Dollars	Oct Billing Dollars	Nov Billing Dollars	Dec Billing Dollars	
1	33	25	0	33	25	25	25	29	25	25	25	25	295
2	25	37	25	25	25	25	25	25	25	25	25	25	312
3	41	59	44	41	47	50	57	57	50	50	55	55	606
4	33	25	25	25	25	33	33	29	33	25	29	29	344
5	29	33	25	25	33	29	33	25	29	25	29	29	344
6	25	25	25	25	25	63	85	73	33	25	53	25	482
7	25	57	41	44	44	44	53	53	41	41	50	44	537
8	29	25	25	25	29	29	33	25	25	25	29	29	328
9	29	25	25	25	25	65	119	77	137	157	331	65	1,080
10	29	53	29	55	55	81	91	85	69	61	61	41	710
11	33	37	33	33	47	47	41	37	41	29	29	41	448
12	25	25	25	25	25	59	63	91	47	29	37	25	476
13	33	37	33	37	33	33	37	37	33	44	33	33	423
14	29	25	25	25	25	37	37	41	25	25	25	29	348
15	29	25	37	25	29	25	29	25	25	25	25	33	332
16	25	25	25	25	25	29	29	25	29	25	41	25	328
17	33	25	25	41	25	65	171	121	175	99	37	29	846
18	33	25	33	33	37	29	41	41	25	25	29	29	380
20	25	25	25	33	25	29	33	29	25	25	25	25	324
21	25	25	25	33	83	101	113	127	125	89	25	25	796
22	25	25	25	29	25	63	69	33	29	29	25	29	406
23	33	29	25	37	33	37	41	61	37	29	29	29	420
24	25	25	25	25	25	25	25	25	25	25	25	25	300
25	29	25	25	25	25	25	29	25	25	25	25	25	308
26	33	33	29	29	37	41	41	37	33	37	41	37	428
27	33	25	25	81	29	41	53	55	29	25	37	29	462
28	37	25	25	33	41	44	47	44	33	33	33	25	420
29	25	25	25	25	0	0	0	0	0	0	0	0	100

Howison Heights Water
 12-SUBW-359-RTS
 Revenue by Customer

WEB Exhibit No. 2
 Part 2

For the Test Year Ending December 31, 2010

Revenue From Water Sales

Route	Jan. Billing Dollars	Feb. Billing Dollars	Mar. Billing Dollars	Apr. Billing Dollars	May Billing Dollars	Jun Billing Dollars	Jul Billing Dollars	Aug Billing Dollars	Sep Billing Dollars	Oct Billing Dollars	Nov Billing Dollars	Dec Billing Dollars	Total Revenue
30	0	0	0	0	25	25	37	33	25	25	25	37	232
31	25	25	29	25	25	25	25	25	25	25	25	25	304
32	29	29	29	25	37	33	29	29	37	25	25	37	364
33	33	25	25	25	25	41	25	25	29	25	25	33	336
34	37	29	29	37	25	63	55	44	29	25	29	29	431
35	29	25	25	25	57	137	161	131	97	123	77	50	937
36	47	63	41	71	25	44	53	81	57	44	50	47	623
37	29	25	25	25	33	47	41	47	33	29	29	33	396
38	41	91	53	41	61	55	55	50	41	41	47	53	629
39	29	25	25	33	33	41	50	44	25	25	37	33	400
40	41	47	33	41	41	47	47	41	37	29	37	44	485
41	29	37	29	29	57	50	65	61	65	25	33	25	505
42	25	44	25	29	29	25	25	25	33	25	29	29	343
43	29	25	25	41	33	37	69	50	44	29	25	33	440
44	37	41	25	33	25	25	25	25	33	165	67	25	526
45	0	0	25	25	25	50	63	53	85	75	55	0	456
46	25	25	25	25	25	181	175	231	135	109	25	25	1,006
47	25	83	25	25	25	25	25	25	25	25	25	25	358
48	0	0	0	0	0	0	0	0	0	0	0	0	0
49	25	69	29	50	44	61	63	53	50	41	44	44	573
52	29	25	25	25	25	33	75	25	25	25	25	25	362
56	33	25	25	57	65	81	73	73	33	59	29	29	582
57	29	25	25	37	25	25	25	25	25	25	25	25	316
58			25	25	25	25	25	25	25	29	25	25	254
59	33	25	25	33	25	29	77	53	25	25	29	25	404
65	33	25	25	37	33	37	41	50	41	33	33	33	421
66	25	25	25	25	25	25	25	25	25	25	25	25	300
69	29	25	25	25	25	25	25	25	29	25	25	33	316
70	29	25	25	25	25	25	29	29	25	25	25	29	316

Howison Heights Water
 12-SUBW-359-RTS
 Revenue by Customer

WEB Exhibit No. 2
 Part 2

For the Test Year Ending December 31, 2010

Revenue From Water Sales													
Route	Jan. Billing Dollars	Feb. Billing Dollars	Mar. Billing Dollars	Apr. Billing Dollars	May Billing Dollars	Jun Billing Dollars	Jul Billing Dollars	Aug Billing Dollars	Sep Billing Dollars	Oct Billing Dollars	Nov Billing Dollars	Dec Billing Dollars	Total Revenue
71	25	33	25	79	81	81	73	75	83	71	59	25	710
72	25	25	25	25	25	25	25	25	25	25	25	0	275
78	25	25	25	25	25	25	25	25	29	89	25	25	368
80	33	25	25	25	25	101	165	143	37	50	59	29	717
82	33	37	37	55	41	63	71	61	41	47	62	37	585
84											25	25	50
85												29	29
86	1,744	1,903	1,638	2,020	2,022	2,786	3,295	3,064	2,601	2,540	2,413	1,906	27,932
87													25,863
88													2,069

Source: Monthly Meter Data Collection sheets for 2010 given to Staff in person by Tim Howison in Salina on January 11, 2012

Note: The purpose of this work paper is to calculate the amount of revenue Howison Heights Water earned during the Test Year that ended December 31, 2010 from selling water to its customers.

Note 1: Due to confidentiality, the customers' names have been removed from this worksheet.

File Name: Excel / Howison Heights Water / Howison Heights Water - Inc Stmt

Howison Heights Water
 12-SUBW-359-RTS
 Revenue from Hookup Fees
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 3

(a)	(b)		(c)
Line No.	Description		Amount
1	Hookup Fee Charge per Meter	4,200	
2	Multiply by the Number of Hookups in 2010	X 3	
3	Hookup Fee Income for 2010	12,600	(1)
4	Hookup Fee Charge per Meter	4,200	
5	Multiply by the Normal Number of Hookups in a Year	X 1	
6	Expected Amount of Hookup Fee Revenue in a Year	4,200	
7	Staff's Adjustment to Hookup Fee's	(8,400)	
8	Number of Meter Hookups Installed by Year		
9	2010	3	(2)
10	2011	0	(2)

(1) Source: Exhibit No. 6 of the Application

(2) Source: Telephone conversation with Tim Howison

Howison Heights Water
 12-SUBW-359-RTS
 Auto Expense
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 4

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Check No.	Description		Auto	Tractor (Backhoe)
1		Number of Regular Trips to Howison Heights Water each Year	(1)	365	
2		Number of Trips to Read the Water Meters Each Year	(1)	12	
3		Number of Water Leaks Repaired Each Year	(1)	5	
4		Total Number of Trips per Year	(1)	382	
5		Miles Driven Round Trip	(1)	X 14	
6		Total Number of Business Miles Driven Each Year		5,348	
7		Multiply by Standard Mileage Rate	(2)	\$0.50	
8		Total Business Auto Mileage Expense		\$2,674	2,674
9	3556	6/23/2010 Mid Kansas Conoco Diesel fuel	(3)		45
10	3668	11/4/2010 Diesel Fuel Injection Maintenance	(3)		16
11	3675	11/8/2010 Rods IV Fuel	(3)		45
12	3693	11/24/2010 Rods IV Fuel	(3)		46
13		Staff's Auto Expense			2,825
14		Hosiwson Heights Auto Expense			674
15		Staff's Adjustment to Auto Expense			2,151

(1) Source: Tim Howison During Staff's on Site Visit on January 11, 2012

(2) Source: Master Tax Guide for 2010, paragraph 947

(3) Source: Bennington State Bank monthly bank statements

Howison Heights Water
 12-SUBW-359-RTS
 Bank Fees
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 5

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Check No.	Date	Name of Vendor	Description	Amount
1		Jan. 2010	Bennington State Bank	Service Charge	6.67 (1)
3		Feb. 2010	Bennington State Bank	Service Charge	6.93 (1)
4		Mar. 2010	Bennington State Bank	Service Charge	6.91 (1)
5		Apr. 2010	Bennington State Bank	Service Charge	4.17 (1)
6		May 2010	Bennington State Bank	Service Charge	7.08 (1)
7		Jun. 2010	Bennington State Bank	Service Charge	4.55 (1)
8		Jul. 2010	Bennington State Bank	Service Charge	9.47 (1)
9		Aug. 2010	Bennington State Bank	Service Charge	8.40 (1)
11		Sep. 2010	Bennington State Bank	Service Charge	10.73 (1)
12		Oct. 2010	Bennington State Bank	Service Charge	10.08 (1)
14		Nov. 2010	Bennington State Bank	Service Charge	12.40 (1)
16		Dec. 2010	Bennington State Bank	Service Charge	10.58 (1)
17		Total Banking Fees			97.97
18		Howison Heights Bank Fees			465
19		Staff's Adjustment to Bank Fees			(367)

(1) Source: In Staff's on site visit to Salina on January 11, 2012, Tim Howison General gave Staff a copy of Howison Water's General Ledger.

(2) Source: August 2010 Bennington State Bank monthly bank statement

Howison Heights Water
12-SUBW-359-RTS
Contract Labor

WEB Exhibit No. 2
Part 6

For the Test Year Ending December 31, 2010

(a)	(b)	(c)	(d)	(e)
Line No.	Date	Check Number	Vendor	Amount
1	3/8/2010	4773	Campbell & Johnson	2,086
2	3/9/2010	4777	A-1 Well Service	2,556
3	6/4/2010	4842	Sid Young	200
4	6/19/2010	3554	Sid Young	200
5	10/21/2010	3604	Sid Young	200
6	10/26/2010	3613	Sid Young	100
7	10/28/2010	3617	Sid Young	150
8	11/5/2010	3670	Sid Young	150
9	11/20/2010	3688	Sid Young	100
10	12/10/2010		Sid Young	125
11	12/31/2010	AJE 3		1,700
12	Staff's Contract Labor Expense			7,566
13	Howison Heights Contract Labor Expense			4,139
14	Staff's Adjustment to Contract Labor			3,427

(1) Source: In Staff's on site visit to Salina on January 11, 2012, Tim Howison General gave Staff a copy of Howison Water's General Ledger.

Note: Check numbers beginning with a 3 were paid by Howison Heights checking account.
Check numbers beginning with a 4 were paid by some other checking account. It could be they were paid by Tim Howison's personal checking account.

Howison Heights Water
12-SUBW-359-RTS
Depreciation Expense
For the Test Year Ending December 31, 2010

(a) Line No.	(b) Date Placed in Service	(c) - (f) Asset Balances				(g) Depr. Method	(h) Asset Life in Years	(i) Book Cost	(j) - (l) Accumulated Depreciation			(m) Net Book Value
		(c) Beg. Bal.	(d) Additions	(e) Retire-ments	(f) End. Bal.				(j) Beg. Accum. Depr.	(k) Cur. Yr. Depr. Exp.	(l) End. Accum. Depr.	
Description		(c) + (d) - (e)				(j) + (k)			(l) - (m)			
1	Land	1/1/1984	3,000					3,000	0		0	3,000
2	Land - Well	2/1/2002	1,000					1,000	0		0	1,000
3	Subtotal - Land		4,000	0	0			4,000	0	0	0	4,000
4	Water - Well	1/1/1984	52,000			S/L	30 (1)	52,000	45,067	1,733	46,800	5,200
5	Water - Well	7/1/1997	1,895			S/L	30 (1)	1,895	790	63	853	1,042
6	Well - #1	11/10/1998	5,251			S/L	30 (1)	5,251	1,940	175	2,115	3,136
7	Well - #2	8/1/1999	9,410			S/L	30 (1)	9,410	3,267	314	3,581	5,829
8	Pipe - 6 Inch	8/1/1999	13,628			S/L	30 (1)	13,628	4,732	454	5,186	8,442
9	Well - #3	1/16/2001	7,359			S/L	30 (1)	7,359	2,208	245	2,453	4,906
10	Well House	5/22/2001	25,182			S/L	30 (1)	25,182	7,205	839	8,044	17,138
11	Well House	10/31/2003	31,930			S/L	30 (1)	31,930	6,563	1,064	7,628	24,302
12	Well House	2/3/2005	13,902			S/L	30 (1)	13,902	2,240	463	2,703	11,199
13	Well Improve	1/1/2006	20,135			S/L	30 (1)	20,135	2,685	671	3,356	16,779
14	Cap. Improve	12/31/2007	5,675			S/L	30 (1)	5,675	378	189	568	5,108
15	Waterline	9/30/2008	21,500			S/L	30 (1)	21,500	896	717	1,613	19,887
16	Subtotal - Water Wells		207,867	0	0			207,867	77,970	6,929	84,899	122,968
17	Original Equip	1/1/1984	25,765			S/L	30 (1)	25,765	22,330	859	23,188	2,576
18	Pressure Tank	7/15/1995	2,130			S/L	15 (1)	2,130	2,059	71	2,130	0
19	Stand Pipe	9/15/1995	5,000	Not in Service		S/L	30 (1)	5,000	0	0	0	5,000
20	Stand Pipe	7/1/1997	10,000	Not in Service		S/L	30 (1)	10,000	0	0	0	10,000
21	Pump	12/23/1998	4,509			S/L	5 (2)	4,509	4,509	0	4,509	0
22	Pump - Well	8/4/2000	2,285			S/L	5 (2)	2,285	2,285	0	2,285	0
23	Pressure Tank	10/24/2000	1,600			S/L	15 (1)	1,600	978	107	1,084	516
24	Pump - Well	12/18/2000	2,482			S/L	5 (2)	2,482	2,482	0	2,482	0
25	Pump	10/31/2001	2,685			S/L	5 (2)	2,685	2,685	0	2,685	0
26	Computer	8/26/2004	1,158			S/L	5 (1)	1,158	1,158	0	1,158	0
27	Pump	1/17/2007	10,210			S/L	5 (2)	10,210	5,956	2,042	7,998	2,212
28	Subtotal - Equipment		67,824	0	0			67,824	44,441	3,079	47,520	20,304
29	Grand Total		279,691	0	0			279,691	122,411	10,007	132,419	147,272
30	Howison Heights Depreciation Expense									10,337		
31	Staff's Adjustment to Depreciation Expense									(330)		

(1) Source: Suburban Water Docket No. 07-SUBW-1352-RTS, Staff Adjustment No. 10

(2) Source: Tim Howison said that since Howison Heights Water does not have a standpipe in service, the water pumps wear out more quickly because they turn on and turn off so frequently. Since the water pumps turn off and on so much, it has been Tim's experience that the water pumps last about 5 years.

Source of Depreciation Information: Depreciation Schedule provided by Tim's public accounting firm Clubine & Rettele on Staff's on-site visit to Salina on 01/11/2012.

Interest Expense Based on Net Property, Plant and Equipment
For the Test Year Ending December 31, 2010

(a)	(b)	(c)	(d)
Line No.	Description	Amount	
1	Percentage of Bennington State Bank Debt to Howison Heights' Total Debt	57.9500%	(1)
2	Multiply by Interest Rate on Bennington State Bank's Debt	0.06	(2)
3	Weighted Average Interest Rate for Bennington State Bank Debt (Line 1 X Line 2)	0.034770	0.034770
4	Percentage of Central National Bank Debt to Howison Heights' Total Debt	42.0500%	(1)
5	Multiply by Interest Rate on Central National Bank Debt	0.0656	(3)
6	Weighted Average Interest Rate for Central National Bank Debt (Line 4 X Line 5)	0.027585	0.027585
7	Weighted Average Interest Rate for Howison Heights (Line 3 + Line 6)		0.062355
8	Multiply by the Assumption That 100% on the Total Capitalization of Howison Howison Heights Water was Provided by Debt		100.00%
9	Weighted Average Interest Rate for the Portion of Howison Heights' Capitalization That is Provided by Debt (Line 6 X Line 7)		0.062355
10	Multiply by Howison Height's Net Property, Plant and Equipment		95,110 (4)
11	Interest Expense Based on Net Property, Plant and Equipment (Line 7 X Line 8)		\$5,931
12	Howison Heights Interest Expense (principle and interest)		41,400
13	Staff's Adjustment to Interest Expense		(\$35,469)

(1) Source: Weighted Debt Percentage Calculation worksheet

(2) Source: A fax from Tim Howison, dated 01/18/2012, page 3 of 17, that lists the two loans Howison Heights Water has with Bennington State Bank.

(3) Source: A fax from Tim Howison, dated 01/18/2012, page 4 of 17, that lists the loan Howison Heights Water has with Central National Bank.

(4) Source: Exhibit No. 4 in the Application - Financial Statements compiled by Howison Heights' public accountants

Howison Heights Water
12-SUBW-359-RTS
Weighted Debt Percentage Calculation Worksheet
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 8 (a)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Line						Debt Applicable to Howison Heights	Percentage of Debt Applicable to Each Bank
No.	Date	Name of Vendor	Description		Amount		
1		Bennington State Bank	Loan #1		217,811		(1)
2		Bennington State Bank	Loan #2		8,940		(1)
3		Total Bennington State Bank			<hr/>	226,751	57.95%
4	8/10/2006	Central National Bank	Intitial Borrowing to build new well house in Big Valley, install pumps, pressure tanks, and new pipeline to connect the new well house to the existing water system		110,150		(2)
5	1/17/2007	Central National Bank	A - 1 Well Service		10,210		(3)
6	8/6/2007	Central National Bank	Miscellaneous Expense		2,222		(3)
7	9/26/2007	Central National Bank	Expenses paid		9,112		(3)
8	12/31/2007	Central National Bank	Larson Construction		5,675		(3)
9	12/31/2010	Central National Bank	Outstanding Loan Balance at the end of 2010	275,000			(4)
10	12/31/2007	Central National Bank	Less: Outstanding Balance at the end of 2007	<u>(235,150)</u>			(2)
11	Sept. 2008	Central National Bank	Incremental Amt Borrowed	39,850			
12	Sept. 2008	Central National Bank	Less: Amount Borrowed to pay for Interest Owed	<u>(12,700)</u>			(5)
13			Portion of Sept. 2008 Loan Related to Water System		27,150		
14		Total Central National Bank Applicable to Howison Heights Water			<hr/>	164,519	42.05%
						<hr/>	391,270 100.00%

Howison Heights Water
12-SUBW-359-RTS
Weighted Debt Percentage Calculation Worksheet
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 8 (a)

- (1) Source: A fax from Tim Howison, dated 01/18/2012, page 3 of 17, that lists the two loans Howison Heights Water has with Bennington State Bank.
- (2) Source: A fax from Tim Howison, dated 01/18/2012, page 8 of 8. January 1, 2007 balance with Central National Bank
- (3) Source: A fax from Tim Howison, dated 01/18/2012, page 3 of 3, Howison Heights column. Loan with Central National Bank.
- (4) Source: Single page that is a Loan Statement from Central National Bank for 2010
- (5) Source: A fax from Tim Howison, dated 01/18/2012, page 8 of 8. The \$12,700 amount was obtained from from Tim Howison in a telephone conversation on 01/19/2012.

Howison Heights Water
12-SUBW-359-RTS
Legal and Accounting Fees
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 9

(a)	(b)	(d)	(e)
Line No.	Date	Vendor	Amount
1	9/2/2010	Clubine & Rettle	640
2		Staff's Legal and Accounting Fees	640
3		Howison Heights Legal and Accounting Fees	575
4		Staff's Adjustment to Legal and Accounting Fees	<u>65</u>

Howison Heights Water
12-SUBW-359-RTS
Mowing Fees
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 10

(a)	(b)	(d)	(e)
Line No.	Date	Vendor	Amount
1	12/31/2010	Derick McPhillips	200
2		Staff's Mowing Fees	200
3		Howison Heights Mowing Fees	300
4		Staff's Adjustment to Mowing Fees	<u>(100)</u>

Howison Heights Water
 12-SUBW-359-RTS
 Permits and Fees
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 11

(a)	(b)	(c)	(d)	(e)
Line No.	Date	Vendor	Description	Amount
1	3/10/2010	Bartlett & West	Appraisal Fee	699 (1)
2	5/27/2010	Division of Water Resources	Water Use Report for 2009	150 (2)
3	9/8/2010	Kansas Department of Health and Environment	Well fee	150 (2)
4		Staff's Permits and Fees		<u>999</u>
5		Howison Heights Permits and Fees		<u>1,978</u>
6		Staff's Adjustment to Permits and Fees		<u><u>(979)</u></u>

(1) Source: Tim Howison provided the General Ledger to Staff during an on-site visit in Salina on 01/11/2012. In a telephone conversation with Tim Howison on January 18, 2012, Tim said that the Central National Bank requires an appraisal update be performed on the water system every year.

(2) Source: General Ledger provided to Staff during an on-site visit to Salina on 01/11/2012.

Howison Heights Water
 12-SUBW-359-RTS
 Postage Expense
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 12

(a)	(b)	(c)	(d)
Line No.	Invoice Date	Vendor	Amount
1	7/7/2010	United States Postal Service	44
2	9/2/2010	United States Postal Service	28
3	10/19/2010	United States Postal Service	41
4	11/9/2010	United States Postal Service	30
5	11/12/2010	United States Postal Service	44
6		Total	187
7		General Ledger	300
8		Monthly Billing to Customers	322
9		Staff's Postage Expense	623
10		Howison Heights Postage Expense	300
11		Staff's Adjustment	323

Howison Heights Water
 12-SUBW-359-RTS
 Repairs & Maintenance Expense
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 13

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Date	Check Number	Vendor	Description	Amount
1	1/5/2010	4737	A-1 Well Service	maintenance	1,000
2	3/9/2010	4775	Ginder Hydraulic	Hoses/Radiator	3,984
3	4/16/2010	4813	Miller's Diesel	Tractor	326
4	11/24/2010	3695	Mid Kansas Tool	Mowers	237
5	12/31/2010	AJE 3	Cash Expenses		200
6		Staff's Repairs and Maintenance Expense			<u>5,747</u>
7		Howison Heights Repairs and Maintenance Expense			<u>5,832</u>
8		Staff's Adjustment to Repairs and Maintenance			<u><u>(85)</u></u>

Source: General Ledger provided to Staff during an on-site visit to Salina on 01/11/2012.

Note: Check numbers beginning with a 3 were paid by Howison Heights checking account.

Check numbers beginning with a 4 were paid by some other checking account. It could be they were paid by Tim Howison's personal checking account.

Howison Heights Water
 12-SUBW-359-RTS
 Supplies Expense
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 14

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Check Number	Vendor	Amount
1	1/13//2010	4739	Chemquest - Returned Check	(699)
2	4/9/2010	4804	Becker Tire	868
3	4/16/2010	4814	Salina Supply	74
4	4/17/2010	4816	Sutherlands	37
5	6/8/2010	4848	Chemquest	792
6	6/29/2010	3561	Salina Supply	94
7	9/23/2010	3638	Salina Concrete	252
8	10/21/2010	3605	Water Products	2,415
9	10/22/2010	3608	Mid Kansas Tool	292
10	10/26/2010	3612	Salina Supply	73
11	10/26/2010	3611	Water Products	672
12	11/2/2010	3665	Salina Supply	555
13	11/27/2010	3699	Orshein	39
14	12/22/2010	3719	Salina Supply	155
15	12/31/2010	AJE 3	Cash Expenses	106
16		Staff's Supplies Expense		<u>5,723</u>
17		Howison Heights Supplies Expense		<u>5,077</u>
18		Staff's Adjustment to Supplies Expense		<u><u>646</u></u>

Source: General Ledger provided to Staff during an on-site visit to Salina on 01/11/2012.

Note: Check numbers beginning with a 3 were paid by Howison Heights checking account.

Check numbers beginning with a 4 were paid by some other checking account. It could be they were paid by Tim Howison's personal checking account.

Howison Heights Water
 12-SUBW-359-RTS
 Property Tax, Sales Tax and Water Protection Fee
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 15

Line No.	Description		
1	Property Tax Owed to Saline County in 2010	1,993	(1)
2	Less: Property Tax Reported in Exhibit No. 8 of the Application	(4,488)	(2)
3	Adjustment to Reduce Property Taxes	<u> </u>	(2,495)
4	Add: Saline County Sales Tax on Water Sales for 2010		279 (3)
5	Add: Water Protection Fee for 2010		894 (3)
6	Staff's Adjustment to Property Taxes		<u><u>(1,322)</u></u>

(1) Source: Fax from Stacey Harden of CURB dated January 17, 2012

(2) Source: Exhibit No. 8 of the Application

(3) Source: Staff prepared Property Tax, Sales Tax and Water Protection Fee work paper

Howison Heights Water
12-SUBW-359-RTS
Property Tax, Sales Tax and Water Protection Fee
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 15 (a)

(a)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)
Route	Revenue From Water Sales													County	Water	Property Tax	Total (p) + (q) + (r)
	Jan. Billing Dollars	Feb. Billing Dollars	Mar. Billing Dollars	Apr. Billing Dollars	May Billing Dollars	Jun Billing Dollars	Jul Billing Dollars	Aug Billing Dollars	Sep Billing Dollars	Oct Billing Dollars	Nov Billing Dollars	Dec Billing Dollars	Total Revenue	Sales Tax Amount (o) * 1%	Protection Fee (o) * \$0.032		
1	33	25	0	33	25	25	25	29	25	25	25	25	295	3	9		
2	25	37	25	25	25	25	25	25	25	25	25	25	312	3	10		
3	41	59	44	41	47	50	57	57	50	50	55	55	606	6	19		
4	33	25	25	25	25	33	33	29	33	25	29	29	344	3	11		
5	29	33	25	25	33	29	33	25	29	25	29	29	344	3	11		
6	25	25	25	25	25	63	85	73	33	25	53	25	482	5	15		
7	25	57	41	44	44	44	53	53	41	41	50	44	537	5	17		
8	29	25	25	25	29	29	33	25	25	25	29	29	328	3	11		
9	29	25	25	25	25	65	119	77	137	157	331	65	1,080	11	35		
10	29	53	29	55	55	81	91	85	69	61	61	41	710	7	23		
11	33	37	33	33	47	47	41	37	41	29	29	41	448	4	14		
12	25	25	25	25	25	59	63	91	47	29	37	25	476	5	15		
13	33	37	33	37	33	33	37	37	33	44	33	33	423	4	14		
14	29	25	25	25	25	37	37	41	25	25	25	29	348	3	11		
15	29	25	37	25	29	25	29	25	25	25	25	33	332	3	11		
16	25	25	25	25	25	29	29	25	29	25	41	25	328	3	11		
17	33	25	25	41	25	65	171	121	175	99	37	29	846	8	27		
18	33	25	33	33	37	29	41	41	25	25	29	29	380	4	12		
20	25	25	25	33	25	29	33	29	25	25	25	25	324	3	10		
21	25	25	25	33	83	101	113	127	125	89	25	25	796	8	25		
22	25	25	25	29	25	63	69	33	29	29	25	29	406	4	13		
23	33	29	25	37	33	37	41	61	37	29	29	29	420	4	13		
24	25	25	25	25	25	25	25	25	25	25	25	25	300	3	10		
25	29	25	25	25	25	25	29	25	25	25	25	25	308	3	10		
26	33	33	29	29	37	41	41	37	33	37	41	37	428	4	14		
27	33	25	25	81	29	41	53	55	29	25	37	29	462	5	15		
28	37	25	25	33	41	44	47	44	33	33	33	25	420	4	13		
29	25	25	25	25	0	0	0	0	0	0	0	0	100	1	3		
30	0	0	0	0	25	25	37	33	25	25	25	37	232	2	7		
31	25	25	29	25	25	25	25	25	25	25	25	25	304	3	10		
32	29	29	29	25	37	33	29	29	37	25	25	37	364	4	12		
33	33	25	25	25	25	41	25	25	29	25	25	33	336	3	11		
34	37	29	29	37	25	63	55	44	29	25	29	29	431	4	14		
35	29	25	25	25	57	137	161	131	97	123	77	50	937	9	30		
36	47	63	41	71	25	44	53	81	57	44	50	47	623	6	20		

Howison Heights Water
12-SUBW-359-RTS
Property Tax, Sales Tax and Water Protection Fee
For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
Part 15 (a)

(a)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)
Route	Revenue From Water Sales													County	Water	Property Tax	Total (p) + (q) + (r)
	Jan. Billing Dollars	Feb. Billing Dollars	Mar. Billing Dollars	Apr. Billing Dollars	May Billing Dollars	Jun Billing Dollars	Jul Billing Dollars	Aug Billing Dollars	Sep Billing Dollars	Oct Billing Dollars	Nov Billing Dollars	Dec Billing Dollars	Total Revenue	Sales Tax Amount (o) * 1%	Protection Fee (o) * \$0.032		
37	29	25	25	25	33	47	41	47	33	29	29	33	396	4	13		
38	41	91	53	41	61	55	55	50	41	41	47	53	629	6	20		
39	29	25	25	33	33	41	50	44	25	25	37	33	400	4	13		
40	41	47	33	41	41	47	47	41	37	29	37	44	485	5	16		
41	29	37	29	29	57	50	65	61	65	25	33	25	505	5	16		
42	25	44	25	29	29	25	25	25	33	25	29	29	343	3	11		
43	29	25	25	41	33	37	69	50	44	29	25	33	440	4	14		
44	37	41	25	33	25	25	25	25	33	165	67	25	526	5	17		
45	0	0	25	25	25	50	63	53	85	75	55	0	456	5	15		
46	25	25	25	25	25	181	175	231	135	109	25	25	1,006	10	32		
47	25	83	25	25	25	25	25	25	25	25	25	25	358	4	11		
48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
49	25	69	29	50	44	61	63	53	50	41	44	44	573	6	18		
52	29	25	25	25	25	33	75	25	25	25	25	25	362	4	12		
56	33	25	25	57	65	81	73	73	33	59	29	29	582	6	19		
57	29	25	25	37	25	25	25	25	25	25	25	25	316	3	10		
58			25	25	25	25	25	25	25	29	25	25	254	3	8		
59	33	25	25	33	25	29	77	53	25	25	29	25	404	4	13		
65	33	25	25	37	33	37	41	50	41	33	33	33	421	4	13		
66	25	25	25	25	25	25	25	25	25	25	25	25	300	3	10		
69	29	25	25	25	25	25	25	25	29	25	25	33	316	3	10		
70	29	25	25	25	25	25	29	29	25	25	25	29	316	3	10		
71	25	33	25	79	81	81	73	75	83	71	59	25	710	7	23		
72	25	25	25	25	25	25	25	25	25	25	25	0	275	3	9		
78	25	25	25	25	25	25	25	25	29	89	25	25	368	4	12		
80	33	25	25	25	25	101	165	143	37	50	59	29	717	7	23		
82	33	37	37	55	41	63	71	61	41	47	62	37	585	6	19		
84											25	25	50	1	2		
85												29	29	0	1		
Total	1,744	1,903	1,638	2,020	2,022	2,786	3,295	3,064	2,601	2,540	2,413	1,906	27,932	279	894	1,993	3,166

Source of Billings: Monthly Meter Data Collection sheets for 2010 given to Staff in person by Tim Howison in Salina on January 11, 2012 multiplied by applicable tariffed rate.

Note 1: Saline County Sales Tax Rate is 1%. Source: Kansas Department of Revenue

Note 2: Water Protection Fee is \$0.032. Source: Exhibit No. 2, Paragraph 7 of the Application

Note 3: Due to confidentiality, the customers' names have been removed from this worksheet.

Howison Heights Water
 12-SUBW-359-RTS
 Utility Expense
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 16

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Month	Account Number	Utility Dollar Amount	Account Number	Utility Dollar Amount	Total (d) + (f)
1	January	10187010	414	10656614	28	
2	February	10187010	351	10656614	28	
3	March	10187010	234	10656614	28	
4	April	10187010	203	10656614	28	
5	May	10187010	251	10656614	28	
6	June	10187010	356	10656614	28	
7	July	10187010	373	10656614	28	
8	August	10187010	529	10656614	28	
9	September	10187010	454	10656614	23	
10	October	10187010	476	10656614	23	
11	November	10187010	397	10656614	21	
12	December	10187010	409	10656614	23	
13	Staff's Utility Expense		4,448		313	4,761
14	Howison Heights Utility Expense					4,551
15	Staff's Adjustment to Utility Expense					210

Source: DS & O Utility Bill Summary given to Staff by Tim Howison on site on January 11, 2012

Howison Heights Water
 12-SUBW-359-RTS
 Donations
 For the Test Year Ending December 31, 2010

WEB Exhibit No. 2
 Part 17

(a)	(b)	(c)	(d)	(e)
Line No.	Check Number	Date	Name	Amount
1	3516	2/17/2010	Tyler Grace	25
2	3525	2/26/2010	Kevin Miller	65
3	3520	4/8/2010	South High School	50
4	3685	11/15/2010	Pack 20	30
5	Total Donations			170
6	Exclusion Percentage			50%
7	Staff's Adjustment to Donations			85

Source: General Ledger Cash account

Howison Heights Water, Inc.
12-HHIW-359-RTS

WEB Exhibit No. 2
Part 18

Revenue Comparison Based on Average Usage Using Current Rates, Proposed Rates, Ottawa #2, and the City of Salina
For the Test Year Ending December 31, 2010

	Howison Heights Current Water Rate for 8,000 Gallons (1)	Howison Heights Proposed Water Rate for 8,000 Gallons (2)	Ottawa 2 Rural Water District Rate for 8,000 Gallons (2)	City of Salina Water Rate for 8,000 Gallons (3)
Meter Charge				\$5
Water Rate Based on Volume				\$31 (4)
Customer Charge for Waste Water				\$7
Waste Water Rate Based on Volume				\$37 (5)
Monthly Cost to an Average Howison Heights Consumer Using 8,000 Gallons	<u>\$41</u>	<u>\$80</u>	<u>\$63</u>	<u>\$79</u>

(1) Source: Howison Heights' Tariff

(2) Source: Howison Heights' Application

(3) Source: Telephone conversation on January 23, 2012 with Lori in the City of Salina Water Department

(4) The water rate is \$3.88 per 1,000 gallons based on the customer's average water usage. If a customer exceeds its average water usage, the cost is \$4.61 for each 1,000 gallons in excess of the customer's average water usage.

(5) The waste water rate is \$4.61 per 1,000 gallons. The waste water rate remains the same regardless of waste water volume.

Howison Heights Water
12-SUBW-359-RTS

WEB Exhibit No. 2
Part 19

Revenue Comparison Based on Average Usage Using Current Rates, Proposed Rates, Ottawa #2, and the City of Salina
For the Test Year Ending December 31, 2010

Route	Volume of Water Used by Customers												Average Usage per Mon. in 1,000 Gallons	
	Jan. in 1,000 Gallons	Feb. in 1,000 Gallons	Mar. in 1,000 Gallons	Apr. in 1,000 Gallons	May in 1,000 Gallons	Jun in 1,000 Gallons	Jul in 1,000 Gallons	Aug in 1,000 Gallons	Sep in 1,000 Gallons	Oct in 1,000 Gallons	Nov in 1,000 Gallons	Dec in 1,000 Gallons		Total in 1,000 Gallons
1	6	4	0	6	2	0	0	5	3	3	4	4	37	3
2	3	7	2	3	4	3	4	4	2	2	3	3	40	3
3	8	15	9	8	10	11	14	14	11	10	13	13	136	11
4	6	4	4	4	4	6	6	5	6	3	5	5	58	5
5	5	6	0	1	6	5	6	4	5	4	5	5	52	4
6	3	4	1	4	3	17	28	22	6	4	12	3	107	9
7	4	14	8	9	9	9	12	12	8	8	11	9	113	9
8	5	3	3	3	5	5	6	3	4	4	5	5	51	4
9	5	3	2	4	4	18	45	24	54	64	151	18	392	33
10	5	12	5	13	13	26	31	28	20	16	16	8	193	16
11	6	7	6	6	10	10	8	7	8	5	5	8	86	7
12	4	3	0	4	4	15	17	31	10	5	7	4	104	9
13	6	7	6	7	6	6	7	7	6	9	6	6	79	7
14	5	4	2	0	3	7	7	8	4	3	4	5	52	4
15	5	3	7	3	5	4	5	4	3	3	4	6	52	4
16	4	4	3	4	4	5	5	4	5	4	8	0	50	4
17	6	4	4	8	0	18	71	46	73	35	7	5	277	23
18	6	4	6	6	7	5	8	8	1	4	5	5	65	5
20	4	4	1	6	2	5	6	5	4	3	4	4	48	4
21	4	3	0	6	27	36	42	49	48	30	2	3	250	21
22	4	4	1	5	3	17	20	6	5	5	2	5	77	6
23	6	5	4	7	6	7	8	16	7	5	5	5	81	7
24	3	2	0	0	1	4	3	4	3	2	3	3	28	2
25	5	4	2	3	3	4	5	3	4	2	2	3	40	3
26	6	6	5	5	7	8	8	7	6	7	8	7	80	7
27	6	4	1	26	5	8	12	13	5	4	7	5	96	8

Howison Heights Water
12-SUBW-359-RTS

WEB Exhibit No. 2
Part 19

Revenue Comparison Based on Average Usage Using Current Rates, Proposed Rates, Ottawa #2, and the City of Salina
For the Test Year Ending December 31, 2010

Route	Volume of Water Used by Customers													Average Usage per Mon. in 1,000 Gallons
	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	in 1,000 Gallons	
28	7	4	1	6	8	9	10	9	6	6	6	4	76	6
29	4	1	2	2	0	0	7	4	4	3	0	7	34	3
30	0	0	0	0	1	2	0	2	0	0	4	0	9	1
31	4	4	5	4	4	4	4	4	4	3	4	4	48	4
32	5	5	5	4	7	6	5	5	7	2	1	7	59	5
33	6	3	0	0	2	8	3	4	5	4	2	6	43	4
34	7	5	5	7	0	17	13	9	5	3	5	5	81	7
35	5	4	0	2	14	54	66	51	34	47	24	11	312	26
36	10	17	8	21	0	9	12	26	14	9	11	10	147	12
37	5	4	3	1	6	10	8	10	6	5	5	6	69	6
38	8	31	12	8	16	13	13	11	8	8	10	12	150	13
39	5	4	4	6	6	8	11	9	4	4	7	6	74	6
40	8	10	6	8	8	10	10	8	7	5	7	9	96	8
41	5	7	5	5	14	11	18	16	18	3	6	0	108	9
42	4	9	4	5	5	4	4	3	6	4	5	5	58	5
43	5	4	3	8	6	7	20	11	9	5	4	6	88	7
44	7	8	2	6	2	2	2	0	6	68	19	3	125	10
45	0	0	0	0	0	11	17	12	28	23	13	0	104	9
46	0	0	0	0	3	76	73	101	53	40	0	0	346	29
47	0	0	0	0	0	0	0	0	0	0	0	0	0	0
48	4	27	0	0	0	0	0	0	0	0	0	0	31	3
49	0	20	5	11	9	16	17	12	11	8	9	9	127	11
52	5	0	2	3	2	6	23	4	4	2	4	4	59	5
56	6	3	0	14	18	26	22	22	6	15	5	5	142	12
57	5	2	0	7	4	3	2	2	2	2	2	3	34	3
58			0	0	0	4	0	0	1	0	0	0	5	0
59	6	3	0	6	0	5	24	12	4	2	5	3	70	6

Howison Heights Water
12-SUBW-359-RTS

WEB Exhibit No. 2
Part 19

Revenue Comparison Based on Average Usage Using Current Rates, Proposed Rates, Ottawa #2, and the City of Salina
For the Test Year Ending December 31, 2010

Route	Volume of Water Used by Customers													Average Usage per Mon. in 1,000 Gallons
	Jan. in 1,000 Gallons	Feb. in 1,000 Gallons	Mar. in 1,000 Gallons	Apr. in 1,000 Gallons	May in 1,000 Gallons	Jun in 1,000 Gallons	Jul in 1,000 Gallons	Aug in 1,000 Gallons	Sep in 1,000 Gallons	Oct in 1,000 Gallons	Nov in 1,000 Gallons	Dec in 1,000 Gallons	Total in 1,000 Gallons	
65	6	4	4	7	6	7	8	11	8	6	6	6	79	7
66	0	0	0	0	0	0	0	0	0	0	3	2	5	3
69	5	3	2	4	4	4	4	4	5	4	3	6	48	4
70	5	3	2	3	4	4	5	5	3	3	2	5	44	4
71	3	6	2	25	26	16	22	23	27	21	15	3	189	16
72	3	1	2	3	2	3	4	2	1	0	4	0	25	2
78	3	3	2	1	0	0	4	2	5	30	4	3	57	5
80	6	3	2	2	3	36	68	57	7	11	9	5	209	17
82	6	7	7	13	8	17	21	16	8	10	10	7	130	11
84											4	1	5	4
85												5	5	5
Total	288	345	177	343	341	667	904	806	627	600	522	315	5,935	8

Source: Monthly Meter Data Collection sheets for 2010 given to Staff in person by Tim Howison in Salina on January 11, 2012

Note: The purpose of this work paper is to calculate the average volume of water each Howison Heights' customer uses each month. The average volume of water used will be used to calculate the cost of water comparison between Howison Heights, Ottawa #2, and the City of Salina.

Note 1: Due to confidentiality, the customers' names have been removed from this worksheet.

File Name: Excel / Howison Heights Water / Howison Heights Water - Inc Stmt

CERTIFICATE OF SERVICE

12-HHIW-382-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was placed in the United States mail, postage prepaid, or hand-delivered this 8th day of February, 2012, to the following:

NIKI CHRISTOPHER, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
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Vicki Jacobsen