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A. Yes.

Q And you also are connected with Boone Water & Waste Company, Inc.; is that right?

A. Yes, I am.

Q And what is your capacity with that company?

A I'm the president and owner of that company.

Q A shareholder and director?

A Yes.

Q What is the function of Boone Water & Waste Company?

A It's a public utility to serve the subdivision that we own.

Q Lakewood Estates and Lakewood Villa?

A Yes.

Q And it has a certificate of convenience and necessity from the Public Service Commission?

A Yes, it does.

Q To provide both sewer and water service?

A Yes.

Q Now, how many units are there presently in the Lakewood area that are developed and built?

A I think 109.

Q And what are your projections, ultimately, for the total number of units when the subdivision is totally completed?

1           A     Between 250 and 300 units.

2           Q     Now, you are aware, I gather, that the exist-  
3     ing sewage treatment plant owned by Boone Water & Waste is  
4     somewhat overloaded?

5           A     Yes. But I'd like to explain that overloading  
6     situation.

7                     When we saw that the plant was getting over-  
8     loaded, I stopped construction. I think the last construction  
9     we did was over a year ago. We built the units without  
10    garbage disposals in them. And it was our agreement and  
11    regulations not to use garbage disposals. I think one of  
12    the problems that's happening now beyond our control is that  
13    I understand that people are all just putting in garbage  
14    disposal units. So we are hitting capacity. But it wasn't  
15    due to anything I could control.

16          Q     Are you saying that you had something in the  
17    subdivision covenants relating to the garbage disposals?

18          A     Yes. And they were informed when they bought  
19    the units that they did not have garbage disposal units in  
20    them and that they could not have them until such time as we  
21    did have a permit applied for. I'd like to explain, too,  
22    why we didn't.

23                   MR. LEWIS: I object to nonresponsive testimony  
24    by--

25                   EXAMINER HYATT: The objection will be sustained.

1 And that testimony that's nonresponsive will be struck from  
2 the record.

3 BY MR. SCOTT:

4 Q Now, do you have a plan or a proposal for  
5 solving the sewage problems at Lakewood Estates?

6 A Yes, I do.

7 Q And what is your plan?

8 A The plan is to build a new plant. And we had  
9 the engineering accomplished, as was brought out in the  
10 record, a year or so ago, two years ago, when we saw we had  
11 reached capacity.

12 Back in October, I proposed a plan to the  
13 Public Service Commission to build a new plant in which we  
14 would, as it was stated earlier, lease a plant or borrow the  
15 money from the bank and build a plant. The only way we could  
16 borrow the money from the bank was to have a sufficient  
17 income coming in from the present owners to cover the debt  
18 service of the plant.

19 Q Did you make some contact with the owners of  
20 the existing units there on that question?

21 A Yes, I did.

22 Q What was the nature of that contact?

23 A I met with their board of directors and  
24 explained the situation. And it's my recollection that they  
25 did, at that particular time, agree to allow us to increase



1 their rates sufficiently to meet a debt service on a new  
2 plant. And I agreed to, really, in effect, turn the plant  
3 over to them. I agreed not to take any profits. And, as  
4 we added additional units, the rates would be reduced so that  
5 never, from hereon out, would I take anything out of the  
6 company, even depreciation or anything like that, except the  
7 out-of-pocket costs of running the plant.

8 As we projected this, it was--I don't know--  
9 about \$13 or something like that a month. But, over a period  
10 of two years, it would drop down to as low as \$5 or \$6 a  
11 month that they would have to pay in rates.

12 Q And it would drop because you would be adding  
13 new customers who would be contributing to the system?

14 A Yes.

15 Q Was it also your idea to donate the land for  
16 the new plant?

17 A Yes. I, in effect, was turning--it was  
18 impossible, as a public utility, to turn the company over to  
19 the homeowners directly in title. And I agreed with the  
20 Public Service Commission people, and everything, that from  
21 now on we would immediately reduce the rates as new units  
22 went on. And that we would never take anything out except  
23 the out-of-pocket costs of running the plant.

24 Q What is your proposal with respect to actually  
25 operate the plant?



1           A     We had built in that Mid-Missouri Engineers  
2 would operate the plant; that I would step out of it completely.  
3 In fact, I offered to actually deed the plant to them and  
4 let them run Boone Water & Waste Company. And I felt, and  
5 I still feel, that this is the best way to go, the most  
6 economical way for both the homeowners association and--

7           Q     What was the proposed capacity of the plant  
8 that you're wanting to build?

9           A     90,000 gallon capacity. That would take 250  
10 families or more.

11          Q     And was there any particular thing that  
12 happened or any reason that your plans got stalled?

13          A     Yes. We really had a pretty good consensus  
14 of opinion that this would be the way to go. And then  
15 Mr. Hagan came into--their application or their proposal  
16 came into being. And, since that time, I haven't been able  
17 to get any accord as to starting the plant because everyone  
18 is waiting to see what's going to happen. But I have been  
19 holding myself out to do this for at least eight months,  
20 to build a new plant.

21          Q     Who is it that's not--you haven't been able to  
22 get any accord from whom?

23          A     From the Public Service Commission, basically.

24          Q     Has there also been some difficulty in reach-  
25 ing agreement with the present homeowners in Lakewood Estates?

1           A.     Well, they're telling me they're really, in  
2 effect, waiting to see what happens in this application.

3           MR. SCOTT: I have no further questions.

4           WITNESS FLOOD: May I have an opportunity to  
5 consult with my attorney?

6           EXAMINER HYATT: Well, after--you may have an  
7 opportunity, briefly, for two minutes.

8           Off the record.

9           (Off the record discussion.)

10          EXAMINER HYATT: Back on the record.

11          Do you have any further direct examination?

12          MR. SCOTT: Yes, your Honor.

13          EXAMINER HYATT: Okay. Please proceed with it.

14 BY MR. SCOTT:

15           Q     Mr. Flood, is the remaining undeveloped land  
16 in the Lakewood area subject to a deed of trust?

17           A     Yes, it is.

18           Q     And do you have an agreement with the lender  
19 as to what amount it takes to pay off to release any particular  
20 lot that's been platted?

21           A     Yes, I do.

22           Q     What is that amount?

23           MR. LEWIS: I object to that as the instruments  
24 in question will be the best evidence.

25           EXAMINER HYATT: The objection will be overruled.

1 He's not attempting to introduce them into evidence.

2 WITNESS FLOOD: It would take me \$6,000 per  
3 lot to release the lots.

4 BY MR. SCOTT:

5 Q Now, what's previously been developed in the  
6 Lakewood area you have developed; is that correct?

7 A Yes, I have.

8 Q You've been personally involved in that?

9 A Yes.

10 Q Based on your past experience in developing  
11 lots in the Lakewood area, do you have an estimate of the  
12 cost of developing the lots, including the utilities and the  
13 street?

14 A Yes. For me to proceed, it would cost me a  
15 minimum of \$2,000 to \$3,000 to add the utilities and the  
16 streets for the lots. That's the minimum.

17 Q Now, also, based on your experience there--

18 MR. HARRELSON: Your Honor, I have a question  
19 as to the relevance of this line of questioning.

20 EXAMINER HYATT: The objection will be overruled.

21 MR. SCOTT: I think we're going to get there  
22 very quickly, your Honor.

23 EXAMINER HYATT: The objection will be overruled  
24 in order to give Counsel a chance to direct his line of  
25 questioning into what might be relevant.



1 BY MR. SCOTT:

2 Q Based on your experience, do you have an  
3 opinion as to the market value of the lots in the Lakewood  
4 area?

5 A The lots would sell for between \$8,000 and  
6 \$9,000.

7 Q Now, the question, then, is that you're aware  
8 that the Water's Edge Sewer Company proposal includes a  
9 payment by Lakewood Estates, Lakewood Villa, in the amount  
10 of \$40,000?

11 A Yes.

12 Q That would cover the main to the Water's Edge  
13 plant, plus a portion of the cost of the plant?

14 A Yes.

15 Q Based on the figures that you've just given  
16 us about the development of your subdivision, do you see any  
17 potential source for coming up with that \$40,000?

18 A No, I do not. There's no way that we could--  
19 we have the money or could borrow the money to make that  
20 \$40,000 payment.

21 EXAMINER HYATT: Are there any further  
22 questions?

23 MR. SCOTT: No further questions.

24 EXAMINER HYATT: Does the applicant wish to  
25 cross-examine the witness?

1 MR. LEWIS: Yes, your Honor.

2 CROSS-EXAMINATION BY MR. LEWIS:

3 Q Mr. Flood, you've moved to Florida, have you  
4 not?

5 A Yes, I have.

6 Q Are you a permanent resident of Florida or  
7 do you consider yourself a resident of Missouri?

8 A I moved to Florida because of health reasons,  
9 primarily, due to asthma and allergies. And that developed  
10 because of the pressures of business, such as Boone Water &  
11 Waste. Hopefully, at this point--I'm not sure. I own property  
12 here. I own apartments here. I'm not sure whether I will  
13 relocate. That pretty well depends upon my health.

14 Q I think that legally a person is always a  
15 resident somewhere. So what I'd like to know is: Where are  
16 you a resident of at the present time?

17 A I am living in Florida at the present time.

18 Q Do you consider that to be your legal residence?

19 A No. I have another project starting in August  
20 that will require me to be here. And I plan to move in to  
21 one of my pieces of property here and live here, too.

22 Q So you are retaining Missouri as your legal  
23 residence at the present time?

24 A Well, I don't know what you mean by retaining.  
25 I'm not going to need to sign a document one way or the other.

1 Q Where do you vote?

2 A I vote in Missouri. I've never registered  
3 in Florida.

4 Q Where do you maintain your bank account?

5 A Both here and Florida. I have checking  
6 accounts in both locations.

7 Q You're unable to say at this time whether  
8 you're a legal resident of Missouri or a legal resident of  
9 Florida?

10 A In my own mind, I have not made up my mind  
11 whether I'm going to stay in Florida or come back.

12 Q And Missouri was your residence previously?

13 A Up until two months ago.

14 Q So, legally, you would still be a resident  
15 of Missouri because you've not made up your mind to change  
16 your residence; is that correct?

17 A I am enrolled here as a registered voter.

18 Q Where do you live in Florida?

19 A In Palm Beach Gardens, Florida.

20 Q What address?

21 A 4249 Magnolia Court.

22 Q And do you have a telephone there?

23 A Yes, I do.

24 Q What is the telephone number?

25 A 627-0256.



1 Q Who is going to handle your subdivision  
2 development in the service area in this case?

3 A I will. It is my intent to sell lots only.  
4 And they will be marketed either directly or through the  
5 real estate firm that I'm associated with.

6 Q There's no necessity for providing any further  
7 services in the area in the way of streets or sewers or  
8 utilities or anything of that nature?

9 A Yes. I plan to develop those as the need  
10 arises.

11 Q But you're going to do that yourself?

12 A Yes.

13 Q Now, you've had trouble with this sewage  
14 plant of yours for three years, have you not?

15 A By trouble, no. I think the real trouble  
16 happened just in the last year, really.

17 Q You just heard your own sewer operator say  
18 he had heard about the troubles for the last three years?

19 A I don't think they were over-capacity troubles.  
20 I think we did have breakdowns and things like that.

21 Q You never had a complaint from DNR or anybody  
22 else about your system until a year ago?

23 A No. There was--what I would call--operating  
24 problems that developed from time to time.

25 Q Is it correct that on two prior occasions you

1 applied for a construction permit and then let them expire?

2 A Yes, it is.

3 Q Now, at the present time, whatever may have  
4 been your wishes or desires or thoughts, there are no actual  
5 steps that have been taken to correct the problem, is there?

6 A Yes. I did everything possible that I could  
7 do, that our engineers advised us to do.

8 Q But I say, though, the problem hasn't been  
9 corrected, has it?

10 A No, because it needs a new plant. And I  
11 proposed a new plant.

12 Q But I say there have been no concrete steps  
13 taken to bring this new plant about?

14 A I went as far as the Public Service Commission  
15 would allow me to go. They told me the staff would not  
16 recommend it because of this hearing.

17 Q Mr. Flood, are you claiming that the difference  
18 between 43,000 gallon capacity of water coming in there and  
19 17,000 as your actual capacity can be accounted for by  
20 garbage disposals?

21 A There's not 43. If you'll recall, the state-  
22 ment was those were average figures for average households.

23 Q But it was 43,000 versus 17,000?

24 A No. 43,000 was not a stated fact.

25 Q I'm talking about the testimony we were

1 referring to, though. That was the figure used, was it not?

2 A I can explain where the 43,000--

3 Q I didn't ask you to explain it. I asked you  
4 if that was the figure we're both talking about so we know.

5 A I am not talking about it because I do not  
6 admit that 43,000 goes through there.

7 Q You're not willing to discuss that?

8 A Yes. I would if you would let me explain.

9 Q All right. What I'm saying is: You heard  
10 the testimony here that your plant has the capacity of about  
11 17,000 gallons?

12 A I admit that.

13 Q All right. But you dispute the 43,000 gallons?

14 A I do. I do and I can explain.

15 Q Have you made some measurements to determine  
16 what the actual gallons coming in every day is?

17 A No. And no one else has ever done that.

18 Q All right. So you don't have any way to know  
19 that the rule of thumb usually used in this kind of a procedure  
20 which would come up with the 43,000 figure is incorrect?

21 A I can tell you why it isn't incorrect if you  
22 want me to.

23 Q Well, I say you haven't made any measurements  
24 of your own, though?

25 A No. But I can state the facts that show that  
that is not the adequate--



1           Q     Well, let's assume it's some other figure  
2 than 43. Let's say it might be 36 or 29 or whatever over  
3 17,000 gallons. Are you claiming that that all has come  
4 about because of garbage disposals?

5           A     It's my understanding that it isn't that  
6 bad. That we are meeting standards most of the time except  
7 when something happens, when something breaks down.

8           Q     You are meeting standards?

9           A     Yes.

10          Q     There's not been a witness in this hearing  
11 that's testified in that direction, even your own witness.

12          A     We send our samples off. And my engineer  
13 advises me that we are meeting standards. This is why  
14 everyone says, "We got trouble, we got trouble."

15                But, in my own mind right now, we are pushing  
16 capacity or we may be a little over capacity. But, as far as  
17 the effluent coming out of that sewage plant, we are hitting  
18 the range of acceptable range. And I've been advised of  
19 that ever since--

20          Q     By whom?

21          A     By our engineer who makes the test. Ever  
22 since he started doing it--

23          Q     Mr. Stump has advised you repeatedly that  
24 you're meeting standards?

25          A     We are meeting in what he calls a gray area

1 of standards, yes.

2 Q In the gray area--

3 A As I understand it, the area--meeting the  
4 standards is not a definable one point or something like  
5 this. It's a zone; and we are in that zone.

6 Q And, in any event, by whatever amount you're  
7 exceeding your capacity, it's just due to garbage disposals?

8 A No. I think the garbage disposals have  
9 created some of the problems. But I still am under the  
10 impression that, as I stated, the figure that has been  
11 developed is wrong. And the through-put is wrong. And I  
12 can explain, if you'll let me, why I think that's wrong.  
13 And that was just a rule of thumb.

14 Q Well, you deny, then, that you have a problem  
15 out there?

16 A I recognize there is a problem. It's  
17 not a problem as some people I feel have exaggerated it to  
18 be.

19 Q Well, if it's not a problem, then why are you  
20 willing to spend \$60,000 to correct it?

21 A Because I can't add any more units until I  
22 do correct it. And, as a developer, I have to keep going.

23 MR. LEWIS: I have nothing further.

24 EXAMINER HYATT: Okay. Does the Staff wish  
25 to cross-examine this witness?



1 MR. HARRELSON: Yes, your Honor.

2 EXAMINER HYATT: Please proceed.

3 CROSS-EXAMINATION BY MR. HARRELSON:

4 Q Mr. Flood, I believe you stated in your  
5 direct testimony that the proposed rates for a 90,000-gallon  
6 capacity plant were probably ballpark figures. You stated  
7 \$13.50 per customer?

8 A Something like that. That's what I recall.  
9 They were a little higher when we were going to lease the  
10 plant, when funds were not available. But now, on investi-  
11 gation, we can go through the Small Business Administration  
12 and get a guaranteed loan. The interest rates would be  
13 less. If it was to be calculated today, based on our  
14 debt service, it would be my rough estimate of around  
15 \$13.

16 Q Does that include any operating expenses?

17 A Yes, that's the whole thing. That's the  
18 out-of-pocket expense.

19 Q That includes, then, your debt service,  
20 operating expenditures, and--

21 A That's basically it.

22 Q --maintenance?

23 A Maintenance, yeah.

24 Q Let me show you a letter that you wrote to  
25 Don Sparks, President of Lakewood Estates Homeowners



1 Association, on November 26, 1979.

2 First, let me have this marked.

3 EXAMINER HYATT: Off the record.

4 (STAFF'S EXHIBIT NO. 3 WAS MARKED BY THE  
5 REPORTER FOR IDENTIFICATION.)

6 EXAMINER HYATT: Back on the record.

7 BY MR. HARRELSON:

8 Q Mr. Flood, I've just had marked, as Staff  
9 Exhibit 3, a letter which I hold in my hand.

10 I'm going to hand it to you and ask you  
11 if you can identify that letter.

12 Let me ask you this: Is that your signature?

13 EXAMINER HYATT: Could you give him an  
14 opportunity to respond to the first question please before  
15 you direct the second one to him.

16 WITNESS FLOOD: Yes, this is my signature.

17 BY MR. HARRELSON:

18 Q And you recall having written that letter?

19 A Yes.

20 Q Who is that letter directed to?

21 A Don Sparks, President of the Homeowners  
22 Association.

23 Q Now, you state in this letter that if you  
24 replace your present plant with a 45,000-gallon capacity  
25 plant, it would cost approximately \$48,000. And the charge

1 to the customer would be approximately \$14.02. And that's  
2 without any profit to Boone Water & Waste?

3 A Yes.

4 Q Now, are you telling me today that you can  
5 now build a 90,000-gallon plant and charge a lesser customer  
6 charge?

7 A Yes. This was based on a--this was back in  
8 '79 when there was a real tight money situation, November  
9 of '79, where we couldn't go to the banks and borrow. And  
10 I developed a lease plan where the interest cost was, like,  
11 17 and 18 percent. And the plant would be appreciated over  
12 a six-year basis, I believe.

13 I've now investigated going to the Small  
14 Business Administration. And the banks now are receptive  
15 to do this. Instead of 17 percent interest, I can probably  
16 get a 12 to 13 percent interest loan and amortize it over  
17 a 10-to 12-year period. And I can get within the \$14 now  
18 for the 90,000-gallon plant. But this was based on a  
19 lease charge where we were paying 17 percent on a six-year  
20 amortization schedule.

21 Q Do you have any commitment for that Small  
22 Business Administration loan?

23 A We've talked to the banks. No, because they  
24 asked me first of all to get the documentation that we have  
25 this revenue coming in. I can't go in and ask for money

1 without documentation or revenue.

2 I've been to the Small Business Administration.  
3 I have the application. I filled out the application. I've  
4 shown them to financial institutions. And they tell me to  
5 get Public Service Commission approval of the rates and then  
6 they will talk to me.

7 Q All right. I might come back to this letter  
8 later. I have some other questions.

9 Mr. Flood, you stated that the only source  
10 of funds that you are aware of would be from the Small  
11 Business Administration loan?

12 A Through a bank.

13 Q And you can't say for sure that you are able  
14 to get that loan?

15 A No. I would pursue the Small Business  
16 guaranteed loan. If not, I would then pursue adding without  
17 the Small Business guaranteed loan. But I believe I can  
18 finance a plant, a \$60,000 plant, given appropriate revenue  
19 from the present homeowners to service the debt. It doesn't  
20 even have to service all of the debt, but, you know, the  
21 major contribution.

22 Q Didn't you say there was no way you could  
23 finance \$40,000 as a contribution to construction for this  
24 new plant?

25 A That's right. Without revenue to pay it back,



1        yes. The \$40,000 that they're asking me to pay I could  
2        not recoup in any way, as I understand it. The \$60,000  
3        I would invest in the plant I would recoup with income  
4        from our present and future homeowners. But the \$40,000--  
5        there would be no way I could recoup that \$40,000 because  
6        the homeowners would be paying their fee to Hagan's Company.

7                And you're forcing--you know, you're supposedly  
8        telling me I have to pay \$40,000. I've already invested  
9        \$40,000 in the present plant that you're going to make  
10       obsolete for me. And I can't recoup that investment.  
11       Now you're going to tell me to add another \$40,000.

12               Q        I'm not telling you anything. I asked a  
13       question. I think this is getting a little unresponsive.  
14       Could I ask it to stop here. I'd like to ask another question.

15               Has anyone ever approached you with the  
16       alternative of staying in business and retaining your  
17       certificated area and connecting to the proposed Water's  
18       Edge Sewer Company facilities?

19               A.        It was mentioned today for the first time.

20               Q        By whom?

21               A.        Someone that we were talking to over here.  
22       That might be an alternative.

23               Q        Mr. Flood, have I written you a letter in  
24       the past two weeks?

25               A.        You wrote me a letter, yes. Maybe I'd like

1 to refresh my memory of the letter. It's my understanding--

2 EXAMINER HYATT: I would instruct the witness  
3 to respond just to the questions asked, not to volunteer  
4 information that's not in respect to any particular question.  
5 BY MR. HARRELSON:

6 Q The question I'm going to ask is: Has anyone  
7 ever approached you, more specifically, has the Staff of  
8 the Missouri Public Service Commission ever approached you  
9 with the alternative to maintain your certificate to operate  
10 in your present area and hook on to the proposed Water's  
11 Edge Company facility?

12 A I don't interpret your letter here as that  
13 type of thing. Is that what you're saying there, paragraph  
14 number two?

15 Q Yes. Would you read that into the record?

16 EXAMINER HYATT: By the way, this is something  
17 that has not yet been marked as an exhibit, is it?

18 MR. HARRELSON: I wasn't going to put it in  
19 as an exhibit. It's a letter to him. He can just read that  
20 portion.

21 EXAMINER HYATT: You don't intend to introduce  
22 it as an exhibit?

23 MR. HARRELSON: No.

24 EXAMINER HYATT: Proceed, then.  
25

1 BY MR. HARRELSON:

2 Q Would you read that portion into the record?

3 A "Three alternatives are apparent. Connect  
4 with"--

5 Q Excuse me. I will admit that three alter-  
6 natives are set out. Would you just read alternative  
7 number two to save time?

8 A "Connect with the Water's Edge treatment  
9 plant and allow Water's Edge to charge Boone Water & Waste  
10 treatment costs and approximately \$19,000 in plant costs.  
11 The additional sewage line would cost \$21,600, making a  
12 total plant cost of \$40,000."

13 Q Okay. That's enough.

14 A Now, what did you--

15 Q Now, that proposal was made to you; is that  
16 correct?

17 A What is the proposal? I still don't under-  
18 stand the proposal.

19 Q That proposal is to have Boone Water &  
20 Waste Company connect with Water's Edge Sewer Company--

21 A Yes.

22 Q --and receive sewage treatment from that  
23 plant.

24 A But the fees would go to--the customers would  
25 pay the fees to his company. They wouldn't pay to ours.



1 I interpret that letter to mean the physical connection.  
2 I didn't interpret it to mean any business relationship.

3 Q If Boone Water & Waste is still in existence  
4 as a corporate entity, would it not be a public utility  
5 serving its certificated area?

6 A It's my understanding that the application  
7 is saying that they're going to take--you're going to give  
8 them authority to serve my area. So I assume that Boone  
9 Water & Waste would no longer exist.

10 Q What's the third alternative?

11 A You've given them authority.

12 EXAMINER HYATT: Could you please allow the  
13 witness to finish his answer.

14 MR. HARRELSON: I thought he had, your  
15 Honor.

16 WITNESS FLOOD: What I understood this whole  
17 application was that they're going to give the Hagan people  
18 the right to serve my territory that I serve now. And I've  
19 got an investment in plant and facility. And they're going  
20 to ask me in addition to pay \$40,000 out of my pocket to  
21 them. And what do I get for it?

22 MR. HARRELSON: That's not the question,  
23 your Honor, at all. That's totally unresponsive.

24 WITNESS FLOOD: This is what I interpreted,  
25 I honestly interpreted.

1 BY MR. HARRELSON:

2 Q The question was: If Boone Water & Waste  
3 continues to exist, would it not be as a public utility  
4 serving its certificated area?

5 A But you don't say that, that Boone Water &  
6 Waste will continue to exist.

7 Q I do refer to Boone Water & Waste--

8 A Treatment costs, you say.

9 Q I do refer to Boone Water & Waste, don't I?

10 A To charge Boone Water & Waste treatment  
11 costs. That doesn't mean what you're trying--I don't  
12 read what you're trying to make it.

13 Q If I were to make that proposal to you today,  
14 what would you think of it; what would your response be?

15 A My response would be that we would not  
16 continue to make a \$40,000 investment, given the economics  
17 of the situation. That I could never recoup my \$40,000.

18 Q No. Excuse me.

19 If I were to propose to you today that you  
20 retain your certificate to serve your present area and  
21 charge your customers for the service you will continue to  
22 provide them, but provide the facilities via a connection  
23 with Water's Edge proposed treatment facility at what  
24 my staff has estimated to be a total plant cost of  
25 approximately \$40,000, what would your response be?

1           A     You say a cost of \$40,000. How would we  
2 recoup the costs? You couldn't charge--the cost that  
3 Mr. Hagan is asking to charge is, like, \$8 or something  
4 like that. Are you saying to me I can continue to charge  
5 my charge, too, in addition to the charge he would charge  
6 me? That would make it \$14 or \$15. You can stay in  
7 business, but you have to have revenue to stay in business.  
8 You have to have revenue to make your payments on your  
9 capital invested. Can you clarify specifically what  
10 proposal you're making?

11           Q     I think the proposal was rather clear.

12                     You continue to operate in your certificated  
13 area and serve your customers, but the facilities would be  
14 provided via a hookup from your presently existing sewer  
15 line system to the proposed Water's Edge treatment plant?

16           A     All right.

17           Q     You would still be the public utility and  
18 still be serving the customers in your area.

19           A     All right. Then I would have to have  
20 answers to these questions before I could answer that.

21                     One is: According to the plan, as I understand  
22 it, they're allocating, like, 40 or 50 additional hookons  
23 or units to my subdivision. Well, that to me boils down to,  
24 like, ten buildings in three years or four years. Well,  
25 I can't stay in business with my debt service by building



1 only ten buildings. So the first thing I'd have to  
2 answer is: Will he furnish unlimited sewage to me to  
3 meet my rate of development, which would be more than  
4 40 units in two to three years? Because I couldn't stay  
5 in business with only 40 units in two and three years.

6 Secondly, if he was going to charge me the  
7 \$8 or something that you're saying would be the charge,  
8 would the Public Service Commission give me permission to  
9 add that \$8 to my present costs and my indebtedness and  
10 my capital now, which is invested and sunk? I've got a  
11 sunk investment there now on the books of over \$40,000  
12 that I personally invested. What are you going to do  
13 with that \$40,000 investment? Are you going to say to  
14 me you're going to take that away from me and give it to  
15 him and give all my trunk lines and everything to him  
16 and say he operates it? It doesn't make sense.

17 Q I think perhaps I have pursued a non-productive  
18 line of questioning.

19 A I think it's very productive. I'd love to  
20 answer it. I want the answers to it. This is why I'm here.

21 Q Could you refrain from unresponsive answers?

22 EXAMINER HYATT: Yeah. Those last two  
23 answers will be stricken from the record as non-responsive.

24 Do you have any further questions?

25 MR. HARRELSON: Yes, I do.

1 BY MR. HARRELSON:

2 Q Mr. Flood, do you have any current investment  
3 in the sewer facilities that now exist?

4 A Yes. I personally have invested, according  
5 to my tax return which I have here, over \$40,000 that I now  
6 have invested in that facility.

7 Q Is that in plant?

8 A In plant?

9 Q In that physical plant that currently exists?

10 A That plant plus the main lines, water and  
11 sewer lines. My tax return isn't broken down into water  
12 and sewer; it's together.

13 Q In your treatment facility, do you have any  
14 investment in that treatment facility?

15 A I have no idea what we have invested just in  
16 the treatment facility. But, in the lines--

17 Q Do your tax returns show any investment?

18 A No. It's together. And it's over \$40,000  
19 in the company that I personally have--and that's excluding  
20 hookon charges of, like--I think we had a \$400 hookon charge.  
21 And that was deducted from the repayment. Then the net  
22 still owing me is, like, \$40,000 after deductions of hook-on  
23 charges.

24 Q How many acres is your subdivision in total?

25 A 47 acres.

1           Q     How many acres does your certificate of  
2 authority cover?

3           A     47 acres.

4           Q     Your certificate of authority covers all of  
5 the Lakewood Estates Subdivision?

6           A     Yes, it does. In my original application,  
7 I submitted the plot plan for my property and that was  
8 given authority.

9           Q     How much of that 47 acres would you say is  
10 currently developed?

11          A     About 15 acres.

12          Q     And how many units are on that 15 acres?

13          A     109. It could be a little more than 15,  
14 but not much more.

15               MR. HARRELSON: I don't think I have any  
16 further questions of this witness.

17               MR. LEWIS: May I have leave to ask one  
18 question?

19               EXAMINER HYATT: One question.

20 FURTHER CROSS-EXAMINATION BY MR. LEWIS:

21           Q     Directing your attention to your testimony  
22 a while ago that you really didn't have much of a problem  
23 out there and that you had been continually assured by your  
24 engineer that you were meeting standards, I'll invite your  
25 attention to Staff Exhibit 3 and ask you if, therein, you



1 made this statement:

2 "Present plant is now over capacity and must  
3 be replaced. State and local agencies are requiring this."

4 Did you make that statement?

5 A Yes, I did.

6 Q And you made that back in November of '79,  
7 did you not?

8 A Yes.

9 MR. LEWIS: That's all.

10 EXAMINER HYATT: I have a couple questions  
11 I'd like you to answer briefly, if you can.

12 Do you have any further witnesses?

13 MR. SCOTT: No.

14 QUESTIONS BY EXAMINER HYATT:

15 Q The first question is: Why did you allow  
16 the Department of Natural Resource permit to lapse, very  
17 briefly?

18 A Because I couldn't finance the new plant,  
19 sales were down, and we had no plans for future developments.  
20 So I just physically couldn't finance it. If sales were  
21 to continue, we would have financed it out of current sales.  
22 But sales just dropped off on me and there was no way I  
23 could finance it.

24 Q Okay. The second question is: You stated  
25 that you admit a \$17,000--excuse me--17,000-gallon capacity

1 and you disagree with the 43,000-gallon effluent figure.

2 What would the current level of effluent be?

3 A Well, the point I was making is that Lakewood  
4 Estates is a condominium where we have a lot of singles  
5 living in the houses or married couples, very few children.  
6 And the document that they use--and we went through this  
7 before--based on the number of housing units has an average  
8 of maybe five occupants in the house, when our average is  
9 around two.

10 So the rule of thumb that the Public Service  
11 Commission uses for single-family dwellings doesn't apply  
12 to us because we have condominiums. It's primarily a  
13 professional community. We have many units where only one  
14 person lives in it. So those rules of thumb do not apply  
15 to us.

16 Q What would the level be, do you know what the  
17 level would be?

18 A All I know is--and I'll state this again--  
19 that my engineer advised us that we were still operating  
20 in the zone of acceptability. No one could question the  
21 effluent being adverse. And my decisions have been based  
22 on that opinion through the years.

23 Q You stated that your consultant advised you  
24 that you were operating within a gray area?

25 A Yeah.

1           Q     What do you understand that to comprehend  
2 in terms of gallons of effluent?

3           A     Well, I don't understand the gallon through-  
4 put. All I interpret that to mean is that the effluent  
5 that was coming out of the plant--and this would seem to  
6 be the way you judge this as what comes out and goes beyond--  
7 was acceptable.

8           Q     Finally, you stated that if there were--  
9 whatever problems that might have been created were created  
10 by the garbage disposal use and--excuse me. Strike that.

11           You stated that a certain amount of the--  
12 whatever problems were created were due to garbage disposal  
13 use. What would the other portions of the problem have  
14 been caused by, the rest of the problem have been caused  
15 by, other than garbage disposal use?

16           A     Let me clarify this. I said within the last  
17 year, when I stopped building, that what complicated some  
18 of the problems was things beyond my control, like garbage  
19 disposal use beyond my control. I think that--I stopped  
20 building when I felt, logically, that that was all that  
21 we could put on the plant. Since that time, there has  
22 been additional effluent beyond my control because of the  
23 adoption of garbage disposals.

24           EXAMINER HYATT: Okay. Thank you.

25           Does Staff Counsel wish to offer into



1 evidence Staff's Exhibit 3?

2 MR. HARRELSON: Yes. At this time I would  
3 like to offer into evidence Staff Exhibit 3.

4 EXAMINER HYATT: Okay. Staff Exhibit 3 has  
5 been offered. Are there any objections thereto?

6 (No response.)

7 EXAMINER HYATT: Staff Exhibit 3 will be  
8 received into evidence.

9 (STAFF EXHIBIT NO. 3 WAS RECEIVED IN EVIDENCE  
10 AND MADE A PART OF THIS RECORD.)

11 EXAMINER HYATT: The witness will be excused.  
12 Thank you, sir.

13 (Witness excused.)

14  
15 EXAMINER HYATT: Are the parties willing to  
16 waive the reading of the transcript by the Commissioners  
17 under Section 536.080, subsection 2, of the Revised Statutes?

18 MR. SCOTT: Yes.

19 MR. LEWIS: Yes.

20 MR. HARRELSON: Yes.

21 EXAMINER HYATT: Could the parties do so on  
22 the record and in writing?

23 MR. LEWIS: We have in writing.

24 EXAMINER HYATT: You have done that?

25 MR. SCOTT: Yes.

1 EXAMINER HYATT: I'm sorry. Thank you very  
2 much.

3 MR. HARRELSON: Could I say that there's  
4 probably one other procedural matter that needs to be  
5 taken care of on the record.

6 In view of the last few questions and some  
7 of the responses made by Mr. Flood, we feel it's necessary  
8 that we put on Mr. Logstan as a rebuttal witness. It would  
9 be very brief and only for the purpose of--

10 EXAMINER HYATT: How long do you think it  
11 would take?

12 MR. HARRELSON: Five minutes.

13 EXAMINER HYATT: Off the record.

14 (Discussion off the record.)

15 EXAMINER HYATT: Back on the record.

16 Do any of the parties wish to present any  
17 further witnesses?

18 (No response.)

19 EXAMINER HYATT: I believe the attorney  
20 for the Applicant, Mr. Lewis, has a short statement to make.

21 MR. LEWIS: The Applicant has authorized me  
22 to state, in open hearing, that the Applicant would be  
23 willing to accept the temporary interim rates testified to  
24 by Mr. Merciel, subject to the conditions contained in Mr.  
25 Merciel's other testimony.

1 EXAMINER HYATT: Do the parties wish to  
2 file briefs in this case or to present oral arguments  
3 to the entire Commission?

4 MR. HARRELSON: I would prefer just filing  
5 or writing a brief.

6 EXAMINER HYATT: Is that acceptable?

7 MR. SCOTT: I would like to file a brief,  
8 your Honor.

9 EXAMINER HYATT: Okay.

10 Mr. Lewis?

11 MR. LEWIS: That would be agreeable, your  
12 Honor.

13 EXAMINER HYATT: Is there any further  
14 evidence to be offered?

15 MR. LEWIS: What is the time sequence on the  
16 briefing?

17 EXAMINER HYATT: First of all, is there  
18 any further evidence to be offered?

19 (No response.)

20 EXAMINER HYATT: The time for briefing is--  
21 the briefs are due from the Applicant 20 days after the  
22 transcript is filed; from the Intervenor and the Staff,  
23 they're due 20 days after the brief of the Applicant is  
24 filed. And reply briefs are due five days after the  
25 other parties' briefs are due.



1                   Now, I'd like to advise the attorneys  
2 to order however many transcripts they wish by so indicating  
3 on the Entry of Appearance form.

4                   MR. LEWIS: We did. And those would be made  
5 to us, I take it.

6                   EXAMINER HYATT: Okay. Thank you.

7                   The case will be submitted on the record.

8                   The hearing is now adjourned.

9                   WHEREUPON, the hearing of this case was  
10 concluded.

11                   —

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EXHIBITS

MARKED

RECEIVED

APPLICANT'S EXHIBITS:

Exhibit No. 1

Copy of Entry of Appearance  
and Consent to Application  
by E.D.W. Inc.

3

45

Exhibit No. 2

Letter Addressed to Mr. Dan Hagan  
of Water's Edge Sewer Company from  
James W. Brush, dated April 10, 1980

3

45

Exhibit No. 3

Letter dated November 26, 1979, from  
Kenneth U. Flood to Don Sparks,  
President, Lakewood Estates Homeowners  
Association

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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of the application )  
of WATER'S EDGE SEWER COMPANY for )  
permission and approval and for a )  
certificate of convenience and )  
necessity authorizing it to construct, ) Case No. SA-80-208  
install, own, operate, control, manage )  
and maintain a sewer system for the )  
public located in an unincorporated )  
area in Boone County, Missouri. )

STIPULATION AND AGREEMENT

On February 21, 1980 Water's Edge Sewer Company (Company) filed with the Missouri Public Service Commission (Commission) the application for a certificate of convenience and necessity sought in this matter. By order dated March 3, 1980 the Commission set this matter for hearing on the 30th day of May, 1980. On May 20, 1980, and May 21, 1980 the City of Columbia, Missouri (City), a municipal corporation and Boone Water and Waste Treatment Co., Inc. (BW&W) filed their respective applications to intervene which were granted by order of the Commission dated May 23, 1980.

A hearing was duly held on May 30, 1980 in which all parties, by their respective counsel, participated.

On October 29, 1980 the Staff of the Missouri Public Service Commission (Staff) filed its petition to set aside the submission and reopen the proceedings for the taking of additional evidence. The petition recited material changes of fact having occurred since the submission and recited the belief that an agreement as to all disputed matters was imminent and, therefore, requested a reopening of the record to consider such an agreement. By its order dated November 19, 1980 the Commission granted said petition and set the reopening of the proceedings to be held at 10:00 a.m., February 5, 1981.

As a result of the continuing negotiations of the parties, the undersigned stipulate and agree as follows:

1. That on January 2, 1981 Kenneth Flood and spouse sold all their right, title and interest in BW&W to Vernon L. Stump and Gregory P. Mattli.

2. That Company hereby withdraws that portion of its application for a certificate of convenience and necessity relating to the already existing service area of BW&W.

3. That the evidence adduced at the hearing held on May 30, 1980 establishes that the granting of the application for a certificate of convenience and necessity filed by the Company as modified herein will serve the public need and necessity and that the Company's facilities are adequate to provide reasonable service to customers within the proposed service area.

4. That BW&W's service and facilities under the terms of this Stipulation and Agreement will be safe and adequate to serve customers in the BW&W service area and that BW&W waste treatment will be adequate to meet the effluent standards of the Missouri Department of Natural Resources.

5. That BW&W agrees to take sewage treatment service from Company under the following terms and conditions:

a) BW&W will pay to the Company for sewage treatment of BW&W waste pursuant to a wholesale tariff filed by the Company the amount of \$15.36 per BW&W customer per quarter;

b) BW&W will contribute in aid of the construction of the Company's treatment facility and the trunk sewer from BW&W to the Company's treatment facility the amount of \$26,500.00 over a period of seven years at 16 percent interest with payments made quarterly in advance in the amount of \$14.31 per quarter per customer, with said payments to be adjusted annually to allow full recovery of principal and interest as above set forth due to changes in the number of BW&W customers.



c) That Company agrees to provide sewage treatment to BW&W and shall file, within 30 days of the issuance of a Report and Order approving this Stipulation and Agreement, a tariff establishing a charge for the wholesale sewage treatment service to BW&W in the amount of \$15.36 per quarter per each BW&W customer.

6. That BW&W shall file a surcharge tariff within 30 days of the issuance of a Report and Order approving this Stipulation and Agreement establishing a charge to its customers of \$14.31 per quarter per customer. The surcharge tariff will provide that the quarterly charge shall be adjusted annually to reflect the effect of <sup>change in number of</sup> ~~additional~~ customers in the BW&W service area and that the surcharge tariff will cancel automatically at the expiration of seven years from the effective date of the original tariff.

7. That within 30 days of the issuance of a Report and Order approving this Stipulation and Agreement BW&W shall file revised tariffs establishing a quarterly charge to its customers for sewer service, exclusive of any surcharge, in the amount of \$25.20 per quarter per customer.

8. That the revised BW&W tariffs provided for herein shall not become effective until BW&W sewers are connected to the Company's sewer system.

9. That within 30 days of the issuance of a Report and Order approving this Stipulation and Agreement the Company shall file tariffs establishing a quarterly charge to its customers for sewer service in the amount of \$23.13 per quarter per customer.

10. That Company shall file rules and regulations within 30 days of the issuance of a Report and Order approving this Stipulation and Agreement.

11. That Company's rules and regulations shall provide that any collecting sewer extensions are to be paid for by the party requesting such extension.


12. That Company's rules and regulations shall provide for a connection inspection fee in the amount of \$25.00 per inspection.

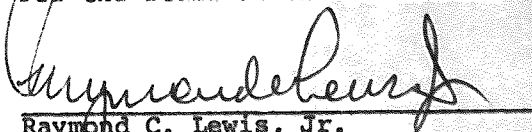
13. That Company agrees to revise the tariff for sewer service to its customers and the wholesale tariff applicable to the sewage treatment service provided to BW&W if and when it

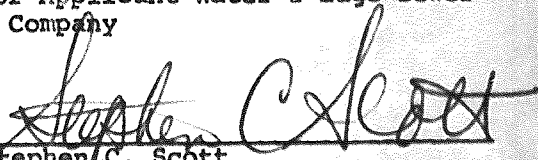
provides service to potential customers in its service area within the Lakeland Acres Subdivision to reflect the effect of serving these additional customers.

14. That the rates herein proposed for the Company are interim rates to be in effect for a period of 18 months after which the Staff of the Commission shall inspect the Company's operating history and make further recommendation as to a permanent rate, except as otherwise provided herein.

15. See Below\*

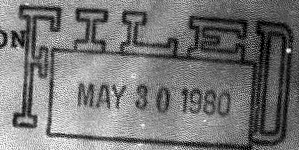
  
William C. Harrelson  
Assistant General Counsel  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
For the Staff of the Commission

  
Raymond C. Lewis, Jr.  
Attorney at Law  
901 East Broadway  
Columbia, MO 65201  
For Applicant Water's Edge Sewer  
Company

  
Stephen C. Scott  
Attorney at Law  
11 North Seventh Street  
Columbia, MO 65201  
For Intervenor Boone Water and Waste  
Treatment Co., Inc.

\*15. None of the foregoing agreements and stipulations shall be deemed to bind any of the parties hereto or to prejudice any of the parties in respect to future rates and in particular, it is understood that the parties shall have the right to seek rate modifications before the Public Service Commission as authorized by law.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI



In The Matter Of:

The Application of WATER'S EDGE )  
SEWER COMPANY for Permission and )  
Approval and for a Certificate of )  
Convenience and Necessity Authorizing )  
it to Construct, Install, Own, Operate, )  
Control, Manage and Maintain a Sewer )  
System for the Public Located in an )  
Unincorporated Area in Boone County, )  
Missouri. )

Case No. SA-80-208

PUBLIC SERVICE COMMISSION

ENTRY OF APPEARANCE AND CONSENT  
TO APPLICATION BY E.D.W. INC.

COMES NOW E.D.W. Inc., a Missouri corporation, and enters its appearance herein for all purposes and consents to the granting of the permission and approval of the Public Service Commission and the issuance of a Certificate of Convenience and Necessity as requested in the application of Water's Edge Sewer Company.

In connection therewith this party states that it has been the owner and developer of a large portion of the service area for which applicant has requested such certificate and approval, and the legal description for which is set forth on the attached Exhibit "A" which is incorporated by reference.

This party further states that it has been in the process of developing said real estate as a residential subdivision and that it is still the owner of all of said real estate with the exception of approximately sixty-five (65) building lots which have been conveyed to purchasers for residential development.

This party further states that said property is still in a state of active development, that lots are still being sold, that additional lots are being platted, that homes are in the process of construction, and that the entire area is in need of sewer service and that this party does not have the present means and ability to provide such sewer service; and that the existing sewer system installed by this party as part of its initial development has become or is becoming inadequate.

WHEREFORE, this party consents to the relief requested in the application of Water's Edge Sewer Company and requests the Public

Applicant Exhibit No. 1  
Date 5-30-80 Case No. SA-80-208  
Reporter SBH



Service Commission to grant its permission and approval and to issue its Certificate of Convenience and Necessity to Water's Edge Sewer Company as requested in said application.

E.D.W. Inc.

By E. D. Welch, Jr. President

# James W. Brush & Associates

Consultants • Professional Engineer • Land Surveyor  
1804 Vandiver Drive • Columbia, Missouri 65201 • 314-474-8718

April 10, 1980

Mr. Dan Hagan  
Water Edge Sewer  
P.O. Box 1221  
Columbia, Missouri 65205

RE: Operational costs  
Waters Edge Sewerage System

Dear Mr. Hagan:

We have evaluated the operational costs for the initial period of operating of the Waters Edge Sewer Company. Some costs will depend on the volume of sewage to be treated. Cost figures are based on estimates and quotations.

The following is a projected cost breakdown:

Sewage treatment plant operation	\$ 500 @ 12 months	\$6000/yr.
Laboratory testing (NPDES)	30 @ 12 months	360/yr.
Electric	180 @ 12 months	1200/yr.
Debt service	\$30,000 @ 12%	3600
Billing collection distribution of funds office telephone accounting	500 @ 12 months	6000/yr.
Sinking fund for major equipment repair/replacement sewer stoppage repairs (\$5000 maximum, additional surplus for accelerated debt payment)	100 @ 12 months	<u>1200/yr.</u>
	Year	\$18,360
	Month	\$ 1,530

Population usage projections:

	Current	1	2	3	4	5 years
Waters Edge	0	30	30	30	30	30
Lakeland Acres	55	20	20	20	20	20
Lakewood Estates	109	10	10	10	10	10
Total	164	224	284	344	404	464

Based on the initial 164 units being served by the system a monthly charge of \$ 9.32 would be required. Should additional units be added as projected the monthly charge could be reduced accordingly.

In the event that either Lakeland Acres or Lakewood Estates

Applicant's Exhibit No. 2  
Date 5-30-80 Case No. SA-80-208  
Reporter SBH

does not use the facility the monthly charges would be as follows:

Waters Edge 0/30  
Lakeland Acres 55/75  
Total unit year 0 -- 55; year 1 -- 105  
Charge \$27.82/\$14.57  
Average for year 0-1 \$21.20

Waters Edge 0/30  
Lakewood Estates 109/119  
Total units year 0 -- 109; year 1 -- 149  
Charge \$14.04/\$10.27  
Average for year 0-1 \$12.16

The cost factors could be reduced by using slightly less power and eliminating the maintenance fund. This could reduce the monthly cost to approximately \$1400/month but would not allow for the cost of operational repairs should they occur. It will be best if the area makes use of this one facility.

If the area continues to grow as projected with a 4 year population of 404 units the monthly charge to generate \$1530 would be \$3.78 per unit. This does not allow for inflation or associated increased electrical and maintenance but does indicate the long term cost to operate the facility.

The initial charge is dependent on the number of units that will be served. If either Lakewood Estates or Lakeland Acres does not use the facility, the monthly charge will need to be increased accordingly.

If you have any questions regarding this matter please contact me at your convenience.

Very truly yours,

  
James W. Brush PE

JWB/sb

Enc. Attachment A: Plant Operation Quotation  
cc: Bill Sankpill  
Mike Lodston



*Jeff* Exhibit No. 2  
Date \_\_\_\_\_ Case No. \_\_\_\_\_

BEFORE THE PUBLIC SERVICE COMMISSION Reporter \_\_\_\_\_

OF THE STATE OF MISSOURI

In The Matter of:

The application of WATER'S EDGE SEWER )  
COMPANY for Permission and Approval and )  
for a Certificate of Convenience and )  
Necessity Authorizing it to Construct, )  
Install, Own, Operate, Control, Manage )  
and Maintain a Sewer System for the )  
Public Located in an Unincorporated )  
Area in Boone County, Missouri. )

Case No. SA-80-208

AFFIDAVIT OF BILL L. SANKPILL

STATE OF MISSOURI)

COUNTY OF COLE )

ss

Bill L. Sankpill, of lawful age, on his oath states:  
that he has participated in the preparation of the foregoing  
exhibits consisting of three pages, to be presented in the above  
case; that he has knowledge of the matters set forth in such  
exhibits; and that such matters are true to the best of his know-  
ledge and belief.

*Bill L. Sankpill*  
\_\_\_\_\_  
Bill L. Sankpill

Subscribed and sworn to before me this 5th day of February, 1981.

*Judy Fritsch*  
\_\_\_\_\_  
Notary Public

NOTARY PUBLIC STATE OF MISSOURI  
MY COMMISSION EXPIRES JULY 30, 1981

My Commission expires \_\_\_\_\_.

# WATERS EDGE SEWER COMPANY

Case No. SA-80-208

## RATE COMPUTATION

<u>Common Costs</u>		<u>BW&amp;W Costs</u>	<u>Waters Edge Costs</u>
Electric	\$1,500 Annually		
Treatment Supplies	\$ 300 Annually		
Treatment		\$4.05/customer/month	
Legal & Accounting		\$500 Annually	\$500 Annually
Depreciation		\$14,500 X 1.33%=\$193 Annually	
Interest		\$14,500 X 0.16%=\$2,320 Annually	
Mid-Mo Sanitation		\$1.00/customer/month	\$5.25/customer/month
TOTALS	\$1,800 Annually	\$3,013 Annually \$5.05/customer/month	\$500 Annually \$5.25/customer/month

BW&W Rates

$\$3.013 \div 12 \div 110 = \$2.28/\text{cust.}/\text{mo.}$   
 $\$5.05/\text{cust.}/\text{mo.}$

$\$1,800 \div 12 \div 140* = \$1.07/\text{cust.}/\text{mo.}$   
 $\$8.40$

$\$8.40 \times 3 = \$25.20/\text{quarter}$

Waters Edge

$\$500 \div 12 \div 30 = \$1.39$   
 $\$7.71/\text{mo.}$

$\$1.07$   
 $\$5.25$

$\$7.71 \times 3 = \$23.13/\text{quarter}$

\*140 customers served by Treatment Plant

Case No. SA-80-208

Water's Edge Sewer Company

Mid-Mo. Sanitation Service Contract

<u>Service Items</u>	<u>Fee/Month/Customer</u>		
	<u>BW&amp;W</u>	<u>Water's Edge</u>	<u>Treatment</u>
Liability Insurance	\$0.25	\$0.25	
Operator Sewers	0.25	0.25	
Operator Treatment		1.95	\$1.95
Management Sewers	0.20	0.20	
Management Treatment		0.90	0.90
Testing		0.70	0.70
Billing	0.05	0.25	
Transportation & Equipment Use-Sewer	0.25	0.25	
Transportation & Equipment Use-Treatment	—	<u>0.50</u>	<u>0.50</u>
Totals	\$1.00	\$5.25	\$4.05



Case No. SA-80-208

Boone Water & Waste Surcharge

Boone Water & Waste CIAC to Waters Edge is \$26,500.

Water Edge agreement for payment is as follows:

\$26,500 @ 16% interest over 7 years is \$525/month Principle and interest.

Therefore  $525 + 110 = \$4.77/\text{customer/month}$

Quarterly surcharge =  $4.77 \times 3 = \$14.31$

November 26, 1979

Don Sparks, President  
Lakewood Estates Homeowners Association

Dear Don:

This letter is intended to confirm our telephone conversation.

I filed the incorporation papers with the State of Missouri about one week ago. We should be hearing from them shortly.

Attached is the deed to the swimming pool. It was platted as a subdivision lot. I cannot give you a deed to the tennis courts at this time because I have no legal description. We will need an engineering survey to accomplish this. Probably the best way to accomplish this is for the engineers to do it when they perform the engineering for the new sewerage plant. According to the covenants I am required to deed this property and I promise to do so.

To review the situation:

1. Present plant is now over capacity and must be replaced. State and local agencies are requiring this.

2. If we replace with a 45,000 gal. capacity plant which would be required to serve present homeowners This plant would cost \$48,000 and based on Public Service Commission figures, would result in a charge of \$14.02 without any profit to the Boone Water and Waste Corporation.

3. If we replace with a 90,000 gal. capacity plant which would serve the remaining property, it would cost \$60,000 and based on PSC figures, would result in a charge of \$16.78 without including profit to BW&W.

4. I agreed that if the owners selected the larger plant I would agree to:


- a. Forgo any profits I am legally entitled to under the law.
- b. Reduce the rates each year by the amount received from new customers. For example

*Navy* Exhibit No. 3  
Date 6-2-80 Case No. SA-10-208  
Reporter Williams

the addition of 20 new customers would add \$335.60, this divided by 109 present customers and 20 new, would result in a \$2.60 reduction in rates. After we added 100 more customers, the rate would be less than half the present charge.

- c. Agree to buy out the leasing company at the end of the five years for 10% of the original investment. With the plant paid for, homeowners will be required to pay for operating expenses only and this should be very low.
5. The other alternative is to request annexation by the City of Columbia to solve the problem of future sewerage capacity. That would mean about \$200 more a year in real estate taxes and much higher rates than the other alternative.
6. What is needed is a letter from the Board of Directors of the two associations accepting the 90,000 gal. plant alternative, which would then be presented to the Public Service Commission by their staff to receive approval for the rate increase.
7. I would have my attorney prepare the legal document incorporating the commitment I made in paragraph 4 above for submission to the PSC for their approval.
8. Rate increase would not take effect until the new plant was in operation, which we would schedule for March or April, 1980. We have a tentative sale of ten lots to Terry Sapp if financing is available, for construction to begin in early spring. If this occurs, the \$2.60 additional payment should be for a very short duration, no more than one year.
9. Even if the present plant is kept in operation (new construction does not take place), the PSC stated to the Board that BW&W is still entitled to a rate increase because of deficit spending that is now occurring.

Best regards,



Kenneth U. Flood  
President  
Boone Water and Waste Treatment  
Company, Inc.