

Missouri Public Service Commission

1 Commission took it over, so, therefore, I increased that,
2 doubled it, raised it to \$150 a month or \$1,800 for the year.

3 Office postage, \$480; and office supplies I
4 left the same, \$300, for \$780.

5 General insurance, the same, \$600. Workman's
6 compensation, \$400, for \$1,000. There's a little increase
7 there because of the salary increase.

8 Property taxes, \$500. Then I used the
9 miscellaneous general expense for that which we'd have
10 unforeseen of \$600, \$50 a month. Again, uncollectibles,
11 since they've got more customers, I raised that to \$600.

12 And, again, I had more information as to
13 professional fees for attorneys and Certified Public Accountants,
14 so I increased that from \$1,600 to \$3,600, making a total of
15 \$10,680 for general expenses.

16 Then I went back and as of August 23, we had
17 200 customers. Two hundred customers at \$15 a month would
18 bring in revenue of \$36,000. Subtracting the total expenses
19 from it, we'd have a net profit left of \$2,802.08.

20 Q Mr. Taylor, you're aware, of course, that when
21 this application was filed that it was proposed
22 that the rate would be \$12 a month?

23 A Yes, sir.

24 Q If we were to recompute the revenue at \$12
25 per month, what would the annual revenues be on it as

Missouri Public Service Commission

1 reflected on this exhibit? I'm referring now to Exhibit 18.

2 A If we recomputed the revenues at \$12 a month
3 on 200 customers, it would be \$28,800.

4 Q Have you made any computation as to what would
5 happen to the bottom line if, for example, depreciation
6 were disallowed as an expense?

7 A Yes, sir.

8 Q Would you give us the results of those
9 computations?

10 A If we dropped the depreciation of \$3,473.92,
11 then we would have a net loss of \$924.

12 Q Did you make any other adjustments or
13 calculations just for illustrative purposes?

14 A No, sir.

15 Q Do you have anything further you'd like to
16 state with respect to your work on these financial documents?

17 A No, sir.

18 Q You've had a lot of experience in public
19 accounting. I'm sure you've seen lots of financial
20 statements and prepared a lot of them.

21 Do the expenses that you see reflected here
22 represent reasonable projections as far as your expert
23 opinion is concerned?

24 A Very conservative.

25 MR. COWAN: I have no further questions.

Missouri Public Service Commission

CROSS-EXAMINATION BY MR. DUFFY:

Q Mr. Taylor, how long have you been a CPA?

A Oh, a long time. I don't know. I've practiced accounting, public accounting, ever since World War II. Thirty-two years.

Q Have you ever acted as an accountant for a public utility regulated by the Public Service Commission?

A No, sir.

Q You're not familiar with the Uniform System of Accounts that the Public Service Commission uses?

A Only what I saw during this.

Q I believe you had some conversations with members of our accounting staff this morning; is that correct?

A Right.

Q Have they informed you of certain positions that this Commission takes with regard to depreciation?

A Right.

Q And what did they tell you about that?

A They said the depreciation wouldn't be allowed because the four corporations were contributing these assets to the Ozark Mountain Water Company, Inc. Therefore, since they were contributing it, the Ozark Mountain Water Company had not paid for them as a corporation.

Q Do you have any problem with that declaration?

Missouri Public Service Commission

1 Do you dispute it?

2 A No, I'm not disputing it.

3 Q Let's get into this area of contribution.

4 Now, I'm not an accountant, so can you explain in terms that
5 maybe a 12th grader might understand how this proposed
6 financial transaction of getting all this property that's
7 supposedly in the hands of all these developer corporations
8 into this Ozark Mountain Water Corporation? Could you go
9 through the process and explain that to me?

10 A Say that again.

11 Q Can you tell me how this property is going to
12 be contributed and what that means in terms that a high
13 school kid might understand?

14 A Yes. We have an itemized list of all the
15 property which totals up exactly what's on the balance sheet,
16 an itemized list of it of exactly what's going to be
17 contributed to the corporation and that would be donated to
18 the corporation.

19 You'll debit the equipment, and if you--
20 according to your book, I got the idea you had to use that
21 depreciation. So if you're going to use the same depreciation,
22 then you would credit the capital surplus account for the
23 balance of it.

24 We discussed it, and the new corporation can
25 never make enough money in our opinion to ever pay the

1 \$238,000 to the other four companies which they'd owe it.
2 Now, if this was--if I owned the four corporations, then
3 I would sell them to someone else. I'd charge them \$238,000
4 just like it is right here, and they'd have to pay me. But
5 here these four corporations are donating this.

6 Q It's a gift then?

7 A Right.

8 Q So Ozark Mountain Water Company, when it starts
9 operations, is going to have all these assets that it hasn't
10 paid anything for; is that right?

11 A That's right.

12 Q But it's going to have \$30,000 in cash that's
13 being contributed by these other companies?

14 A That's right.

15 Q And your understanding of depreciation accounting
16 in the public utility sector is that since Ozark Mountain
17 Water Company didn't pay anything for all that contributed
18 property, they can't get any charge for depreciation on that,
19 right?

20 A I understand that's right.

21 MR. COWAN: Are you speaking for rate-making
22 purposes?

23 MR. DUFFY: For rate-making purposes, because
24 that's all we're interested in here today.
25

Missouri Public Service Commission

1 BY MR. DUFFY:

2 Q So the general gist of what we've been
3 talking about then means that this balance sheet on Exhibit 17
4 really has no application to this proceeding because all of
5 this material or all of these assets are being contributed
6 to Ozark Mountain Water Company--

7 MR. COWAN: May I object to that conclusion?
8 I think it's an erroneous conclusion, and I object to it.

9 It is very significant because it demonstrates
10 that in order to earn the operating expenses--

11 MR. DUFFY: Well, I think--

12 MR. COWAN: May I finish? We have excluded
13 any claim for a return on investment on the basis that we
14 have contributed the assets and do not expect to earn on them.

15 EXAMINER LORING: I'm going to overrule the
16 objection and let him ask the question.

17 BY MR. DUFFY:

18 Q That's what I was trying to get to, Mr. Taylor,
19 is that there's going to be no such thing as a rate base
20 in Ozark Mountain Water Company; isn't that true?

21 A I don't know about that, sir. All I know
22 is that the figures here, the assets which we have on this
23 balance sheet, the four corporations have paid for it. They
24 bought it and paid cash for it, right? And now they have to
25 put that in another corporation known as Ozark Mountain Water

Missouri Public Service Commission

1 Company.

2 And we discussed it, and we considered they
3 were worth half of what these four corporations had paid
4 for it. That's why I set up 50 percent depreciation which
5 only left half of it as an asset on the books, you see?

6 Well, if you've got a debit there, there
7 ain't no place--the only other thing is you would have to
8 debit your assets and credit notes payable to those four
9 corporations and make this corporation charge enough for
10 their water to have enough profit to ever be able to pay
11 back.

12 Q Let's move on to something else. Let's talk
13 about the pro forma profit and loss statement. That's the
14 third page of Exhibit 17.

15 A The original or the amended?

16 MR. DUFFY: Can we go off the record a second.

17 (Discussion off the record.)

18 EXAMINER LORING: Back on the record.

19 BY MR. DUFFY:

20 Q If you would, Mr. Taylor, let's look at
21 both the original and the amended one at the same time. I'll
22 be referring to both of them from time to time.

23 Let's go first to operation and maintenance
24 expenses, and can you tell me how you arrived at the cost for
25 fuel and power for pumping the electricity on both of these?

Missouri Public Service Commission

1 A Yes. On the original I went by the expense
2 record.

3 Q You mean the bills that you got from the power
4 company?

5 A From Turkey Mountain Estates and the other
6 corporations.

7 Q And that was a total amount for a year, for
8 the calendar year?

9 A Yes.

10 Q Was it the estimate, or was it the total?

11 A It was the actual amount as best I can remember.

12 Q And the amended sheet, is that also the
13 actual amount for the year?

14 A No. I added ten percent to that, I think.
15 I increased that ten percent.

16 Q Between these two documents, where is the
17 actual figure that you got off of the power and light bills?
18 Is that the \$4,080?

19 A No. The original one would be that.

20 Q And the second one you've added ten percent
21 on to the \$4,080?

22 A That's right.

23 Q And that ten percent was some factor that you
24 decided on?

25 A Well, Mr. Norman and I talked it over that

Missouri Public Service Commission

1 electric rates were going to increase in the next year or
2 two. We figured that if we came under this, we wouldn't have
3 a chance to get it on there for another year or two.

4 Q Now, I understand that under "supplies,"
5 both your \$300 and your \$600 figure are estimates?

6 A That's right.

7 Q Now, this first Exhibit 17 was prepared probably
8 in December of 1977?

9 A November.

10 Q Well, it's dated November 31?

11 A Right.

12 Q Doesn't November actually have 30 days?

13 A I think it does. I think I saw both dates on
14 there.

15 Q There's no such thing as November 31, is there?

16 A I don't believe there is.

17 Q Then you would have prepared this thing sometime
18 after November 30?

19 A I noticed here in my working papers the girls
20 made a mistake there, and the work was actually done on November
21 30.

22 Q And Exhibit 18 was prepared sometime after
23 August 23, right, 1978; or did you prepare it on August 23?

24 A "As of August 23," is what it says. That
25 doesn't mean after.

1 Q So between November and August you doubled
2 the figure for supplies?

3 A That's right.

4 Q Upon what basis?

5 A On my best judgment.

6 Q Did you buy more supplies then; or do you
7 figure that the inflation is going to run the cost of
8 supplies up that much?

9 A I figure with more customers and inflation on
10 supplies increasing from ten to 15 to 20 percent, that we
11 need that much.

12 Q What kind of supplies are we talking about?

13 A Office supplies, you mean?

14 Q Well, you tell me. You've listed them as
15 supplies.

16 A Well, I'm just asking you which one are you
17 talking about?

18 Q I'm talking about the \$300 figure on Exhibit 17
19 and the \$600 figure on Exhibit 18. What does that represent?

20 A The supplies there would mean whatever they
21 need. We have that for fuel and power and the pumping. That
22 would be whatever supplies they need for maintenance and
23 so forth. But if you don't think they need it, you can cut
24 it out. I just made a pro forma profit and loss statement
25 for you to review yourself.

1 Q I'm not trying to be argumentative, Mr.
2 Taylor. I'm just trying to find out what is represented by
3 the word "supplies."

4 Now, I take it since you've listed that
5 separately from repairs and water plant that those are
6 mutually exclusive categories?

7 A They're supplies of whatever they need, yes,
8 if they need them. If they don't use it for that or spend
9 the money for that, then that will increase their profit.

10 Q Repairs for water plant are estimates also,
11 aren't they? I believe you testified to that on direct
12 examination, that the \$1,500 figure and the \$1,800 figure
13 were estimates?

14 A That's right.

15 Q Do you have any idea what the actual expense
16 for repairs on the water plant was in the last calendar year?

17 A I testified a while ago. I told you I talked
18 to Mr. Norman and asked his judgment as to what the repairs
19 had been, and very conservatively he said \$1,500, and I
20 used that figure.

21 Q Did he give you any examples of how many
22 repairs had been made and what he spent for those repairs,
23 or did he just tell you \$1,500?

24 A He related some experiences he had and this and
25 that and lightning striking it and where it wasn't all covered

1 by insurance and different types of repairs that he has if
2 you keep anything long enough.

3 Q How many times has lightning struck the plant
4 since it's been in operation?

5 A Two times. I'm told that. We collected
6 insurance.

7 Q Let's talk about the next item, "Transportation
8 expenses." We talked about a pickup here which I believe
9 somebody said was a four-wheel drive pickup. Is there such
10 a pickup in existence right now?

11 A He uses one. You have to have a pickup to
12 drive over the territory and that.

13 Q Well, I'm just trying to find out whether there
14 is one in existence now or whether you're going to buy one in
15 the future.

16 A He can't take depreciation if he doesn't buy
17 one.

18 Q I don't believe I've asked anything about
19 depreciation yet.

20 A You asked for transportation.

21 Q Maybe it would go a lot simpler if you just
22 answered the question that I asked instead of anticipating
23 the next one that I might ask, Mr. Taylor.

24 Who paid for the pickup that's in existence
25 right now?

Missouri Public Service Commission

1 A Turkey Mountain.

2 Q Turkey Mountain Estates?

3 A Uh-huh.

4 Q How much did they pay for it?

5 A I don't know.

6 Q Does this figure that you have on the pro
7 forma profit and loss statement represent this actual pickup
8 that you have now or one that you anticipate buying?

9 A One that I anticipate they'll have and use.

10 Q The pickup that they have now, do you anticipate
11 that that will be contributed to Ozark Mountain Water Company
12 along with the other plant and assets?

13 A No.

14 Q It will not be contributed?

15 A I didn't say it would. I don't know what
16 they'll do. But you asked if they would, and I don't know
17 whether they will or not. But I know they got to have a
18 pickup, and I know they've got to depreciate it, and I know
19 it will take \$1,000 a year.

20 Q Let's move down to "General Expenses, Directors
21 Fees." Your figure that you calculate here is paying six
22 directors \$25 a month for directors fees; is that correct?

23 A That's what I said.

24 Q Where did you arrive at the \$25 a month figure?

25 A Well, I arrived at it myself.

1 Q Are these directors meeting now once a month?

2 A For what?

3 Q Well, my question was: Are they meeting now
4 once a month?

5 A Well, directors of what are you talking about?

6 Q The directors that we're talking about here,
7 the six directors.

8 A No, they're not meeting now.

9 Q But they are going to meet once a month once
10 Ozark Mountain Water Company goes in operation?

11 A That's right.

12 Q What are they going to do?

13 A What do directors do?

14 Q What are they going to do when they meet once
15 a month?

16 A They haven't met yet.

17 Q But you're going to pay them \$25 a month anyway?

18 A That's right. I'll write you after they meet
19 and tell you what they did.

20 Q I believe you doubled the bookkeeper's salary
21 from the November statement to the August statement and you
22 said that the reason you did that--correct me if I'm wrong--
23 was because this company is now going to be regulated by
24 the Public Service Commission?

25 A I didn't say, "They're going to be." I said,

Missouri Public Service Commission

1 "if."

2 Q Can you explain to me why regulation by the
3 Public Service Commission, if that happens, will double the
4 cost of the bookkeeper?

5 A You require so much more information than a
6 normal business does.

7 Q Such as?

8 A A clothing store, hardware store, lumber store,
9 used car agency, trash hauler, ice cream stand.

10 Q My question is: What more do we require than
11 somebody else? What justifies a \$900 increase?

12 A Well, first, \$150 a month is a very little
13 fee for anyone who is competent enough to keep a set of
14 books.

15 Q What was the question that I just asked you?

16 A I don't remember.

17 Q Well, let's try it again then. What require-
18 ments of the Public Service Commission led you to double
19 the bookkeeper's salary from \$900 to \$1,800?

20 A Well, I was told that you were going to require
21 a lot more records, monthly statements, and so forth, and
22 information than regular bookkeeping.

23 Q Who told you that?

24 A I don't remember.

25 Q Did this person also tell you that it was going

1 to cost \$900 a year?

2 A Oh, no. That person wasn't going to pay the
3 bill.

4 Q Can you explain to me what's included in the
5 category, "Miscellaneous general expense"?

6 A That's unforeseen expenses which normally
7 arise in any business. That pro forma profit and loss
8 statement is nothing but an estimate of the future the best
9 judgment you can at that time. And miscellaneous general
10 expense, in no simpler words could I use to tell you than
11 it's unforeseen.

12 Q But you said they were normal, they're
13 unforeseen but they're normal.

14 A What's normal?

15 Q In your testimony you said they were normal
16 unforeseen expenses.

17 A My statement here says: "Miscellaneous general
18 expense."

19 Q The record will reflect what your testimony
20 was. Let's go to the "Uncollectible" category. Why did it
21 increase from \$576 to \$600?

22 A Because you've got more customers.

23 Q Does that mean you have more uncollectibles?

24 A The more customers you have, the more
25 uncollectibles you have. If you have no customers, you don't

Missouri Public Service Commission

1 have any uncollectibles.

2 Q How many actual uncollectible accounts are
3 there right now?

4 A I don't know.

5 Q But you picked \$576 and then \$600 to substantiate
6 that?

7 A That's right.

8 Q You could shut off people's water, couldn't
9 you, if they didn't pay their bill?

10 A I'm not in that business.

11 Q What's included in the increase for professional
12 fees?

13 A Just estimated for attorney and other professional
14 fees.

15 Q Does your salary come out of that?

16 A You mean my fee?

17 Q Your fee?

18 A I don't draw a salary. Yes, it would be in
19 that.

20 Q What function do you as a CPA provide on an
21 on-going basis for the company?

22 A None.

23 Q Was the cost of constructing all of these
24 various water systems today expensed on the tax returns of
25 the various development corporations?

Missouri Public Service Commission

1 A No. They were added to the cost.

2 In other words, they were added to the cost of
3 the land. And then as the lots were sold, why, they become
4 naturally part of the cost of the lot that's sold.

5 Q That means, in effect, doesn't it, that the
6 cost was expensed on the tax returns? I think your answer
7 was yes, wasn't it?

8 A Well, you see, in development you buy the
9 land and you build the roads. All development expenses are
10 added to the cost. Then you take your number of lots and
11 they're increased accordingly. Then when you sell a lot,
12 that becomes a cost of the lot that's sold.

13 Q Can you answer my question yes or no?
14 Was the cost of the water system expensed on the income
15 tax returns of the various development corporations?

16 A No, it hasn't all been expensed. It's all
17 been added to the cost of the lots. A lot of these lots
18 are sold on a ten-year contract.

19 EXAMINER LORING: Does that cost raise the
20 tax basis?

21 WITNESS TAYLOR: No. The cost merely reduces
22 the profit that the corporation made. In other words, the
23 cost of the lot--

24 EXAMINER LORING: Was it capitalized then?

25 WITNESS TAYLOR: Yes.

Missouri Public Service Commission

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EXAMINER LORING: For capital gains purposes?

WITNESS TAYLOR: No, it's not capital gains.
It's ordinary income.

EXAMINER LORING: I'm just muddying the
record.

WITNESS TAYLOR: If you pay \$500 for a lot
and it takes \$500 to develop it, that's \$1,000 in cost.
And then if they sell the lot for \$3,000, you've got \$2,000
ordinary income which is percentaged out over the period that
it's paid for.

EXAMINER LORING: Excuse me, Gary. I didn't
mean to interrupt you.

MR. DUFFY: I think there's a misstatement
here somewhere. I asked him if the Water Company had been
expensed, and I think he said, "Yes." And then you asked
if it had been capitalized, and I think he said, "Yes."
And I don't think it can be both.

WITNESS TAYLOR: I never said it was expensed
I don't think. We can go back and read the record since you
made that statement, because you cannot expense capital
items. You have to capitalize them.

BY MR. DUFFY:

Q Are they shown as a cost in developing the
land?

A Sure.

Missouri Public Service Commission

1 MR. COWAN: Could we go off the record here?

2 WHEREUPON, a recess was taken.
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Missouri Public Service Commission

1 PURSUANT to the recess, the hearing of this
2 case was resumed, and the following proceedings were had:

3 WITNESS ROGER H. TAYLOR RESUMED THE STAND.

4 MR. COWAN: Just for the record, I would
5 like to, I guess the best description of what I want to do is
6 to object to getting outside the issues of this case. If we
7 stay with what I see to be the issues of this case, there isn't
8 any further evidence to be taken. The issue that is in this
9 case, I don't see how it could be anything else, is whether
10 or not this operation, as such, is a public utility with the
11 attendant issue of the rates.

12 It has been my understanding of the
13 custom of the Commission, and that's what we would expect here,
14 that there be a provisional rate established. The only reason
15 for Mr. Taylor's study was to give you an idea of what he
16 thought, based on what he knows of the Company having worked
17 for these companies for years, their probable, reasonable
18 operating expenses would be for the next two or three years.
19 And, if there are collateral questions, which have nothing to
20 do to the issue of whether or not this is a public utility,
21 I don't think they ought to be resolved in this case or
22 this forum. If there is some complaint that once it gets
23 started, it won't be providing good service, that's in
24 another case, a complaint case. If there is some contention
25 that there is some violation of a contract, it doesn't belong

1 in this case at all; that's a court case. So, I don't really
2 see any basis for a continuance. I think the case ought to
3 be decided on the record made. If Mr. Fain has evidence that
4 shows that this operation is not a public utility, I suppose
5 that is germane. We have, with some reservations, acquiesced
6 that it is a public utility operation. We think it will work
7 a lot more satisfactorily for the public generally, for the
8 Public Service Commission, and for these owners for it to be
9 in one entity rather than a fragmented entity. But these
10 questions of what is in the HUD report and what is in the
11 Sales Contract, --

12 MR. CHARLES FAIN: Now, Your Honor, we
13 object to this. This is final argument now that he is going
14 into.

15 EXAMINER LORING: Let him finish his
16 statement.

17 MR. COWAN: What is in the HUD Report and
18 what is in the Sales Contract have nothing to do with whether
19 this is a public utility operation. So, we would object to
20 any further continuance.

21 MR. DUFFY: Mr. Examiner, I didn't hear
22 the bell, so I missed this whatever Mr. Cowan was speaking
23 to. Was it to Mr. Fain's Motion for a Continuance?

24 EXAMINER LORING: Well, essentially.

25 MR. DUFFY: The Staff position on a

Missouri Public Service Commission

1 continuance, not necessarily endorsing any of the arguments
2 that were made in the earlier Motions, is that we are not
3 going to be able to finish the cross-examination of Mr. Taylor
4 and put on the Staff's case before five o'clock today.

5 EXAMINER LORING: I realize that.

6 MR. DUFFY: So, in that sense, the Staff
7 would support a continuance simply because we are not going
8 to be able to finish the case today, regardless of anything
9 else that was stated.

10 EXAMINER LORING: That's what I talked in
11 terms of a continuance. I don't believe we could get the
12 Applicant's and the Staff's case.

13 MR. DUFFY: I wanted to get the Staff's
14 position on the record for the continuance.

15 MR. CHARLES B. FAIN: Mr. Examiner, in
16 response to Counsel for the Water Companies' argument, I think
17 I agree with Mr. Duffy that there is no way we could finish
18 today. So, it is going to have to be continued. But, we
19 do have a lot of evidence to put on about whether or not
20 this is a public utility, which we think it isn't, and I
21 don't know how Mr. Cowan cannot want a continuance in this
22 matter when he has no idea of the length of our evidence or
23 even what it entails. So, I don't feel his objection should
24 be very well taken.

25 EXAMINER LORING: Well, the Motion for the

Missouri Public Service Commission

1 Continuance is sort of moot now anyway. So, let's get
2 off that subject and let's go back on the cross-examination of
3 Mr. Taylor.

4 CROSS-EXAMINATION BY MR. DUFFY (CONTINUED):

5 Q Mr. Taylor, let's refer back again to
6 Exhibits 17 and 18, -- particularly the pro forma profit and
7 loss statement. Look at the expenses for fuel and power for
8 pumping -- electricity. Now, I believe you told me that the
9 \$4,080 figure was based upon your examination of actual bills
10 from the power Company, is that correct, for one year?

11 A I didn't think I said that. I thought I
12 said I discussed that with Mr. Norman. I also made a cross-
13 section of their expenses which they had for electricity and
14 then arrived at that figure.

15 Q All right.

16 A Now, whether it is sufficient or whether
17 it is too much, I don't know, and I won't know until they have
18 had experience. It was just my best judgment.

19 Q Do you know where the electric meters are
20 located?

21 A No.

22 Q Do you what they meter?

23 A No, I don't know what they meter.

24 Q So, for all you know, this figure could
25 represent the electric bills for all of the customers in the

Missouri Public Service Commission

1 whole subdivision?

2 A Sure. I don't know. All I know is --

3 Q Are there any landing lights on the airport,
4 could it represent the landing lights on the airport?

5 A I haven't been out to look at it.

6 MR. DUFFY: Could I inquire of Counsel if
7 there is someone here who is knowledgeable as to where these
8 meters are located and what the meters meter?

9 MR. COWAN: If you want to interrupt
10 Mr. Taylor's questioning, Mr. Norman would know, of course.

11 MR. DUFFY: Okay. That's what I need to
12 know.

13 MR. NORMAN: They are located at each well.
14 Two of them are three-phase power hookups, the one at Turkey
15 Two, and the one at Turkey One; and the one at Lakeside is a
16 single-phase.

17 MR. DUFFY: Is it possible to get the
18 actual electric bills for these meters?

19 MR. NORMAN: It could be made possible,
20 yes.

21 BY MR. DUFFY:

22 Q Mr. Taylor, now, let's look under general
23 expenses, offices supplies, postage, \$480. Is that figured
24 on the basis of monthly bills or quarterly bills?

25 A That's based on a monthly, \$40 a month.

Missouri Public Service Commission

1 Q You could send out quarterly bills,
2 couldn't you?

3 A Sure.

4 Q That would reduce the cost of postage,
5 wouldn't it?

6 A Yes, sir.

7 Q Now, let's look at insurance -- Workmen's
8 Compensation. How many employees will Ozark Mountain Water
9 Company have?

10 A One.

11 Q Are you familiar with the Workmen's
12 Compensation Statutes as to how many employees you have to
13 have before you can come under Workmen's Compensation?

14 A They can come under with one, can't they?

15 Q I am asking you.

16 A Yes, they can.

17 Q If you went to quarterly billing, you could
18 also cut down on the expense of your bookkeeping, wouldn't you?

19 A If you can hire a bookkeeper cheaper than
20 that, yes.

21 Q Compared with putting out monthly bills,
22 if you only put out quarterly bills?

23 A Are you referring to the \$900?

24 Q No, I am referring to the \$1800.

25 A I see.

Q I am talking about the workload. If she

1 only has to prepare the bills four times a year, as opposed
2 to 12 times a year, that's less work, isn't it?

3 A Well, it is less work, but I don't know
4 where you can hire anyone to do it for less than that
5 amount. We will just have to wait and see. I know my
6 bookkeepers cost me 12 and 15 thousand dollars a year,
7 bookkeepers, not CPA's.

8 Q I believe that --

9 A I know I wouldn't do it for less than
10 \$150 per month.

11 EXAMINER LORING: Excuse me. We are just
12 getting a lot of irrelevant statements. Please answer the
13 questions as briefly as you can.

14 BY MR. DUFFY:

15 Q Let's talk about the insurance that the
16 Company has. What is the annual premium for the insurance,
17 the general insurance covering the property of the Company?

18 A I didn't check all of their policies. That
19 was estimated as a reasonable figure.

20 MR. COWAN: This Company, Ozark Mountain
21 Water Company, has no insurance anyway, does it?

22 WITNESS TAYLOR: Ozark Mountain Water
23 Company doesn't.

24 BY MR. DUFFY:

25 Q So, the \$600 is an estimate based on what

Missouri Public Service Commission

1 you think the annual premium will be?

2 A Yes, sir, for the --

3 MR. CHARLES J. FAIN: For the what, sir?
4 I didn't hear your answer.

5 WITNESS TAYLOR: For the equipment that will
6 be placed at the Ozark Mountain Water Company.

7 BY MR. DUFFY:

8 Q But that equipment is there right now,
9 isn't it?

10 A No, sir.

11 Q The system is there right now, isn't it?

12 A In the four corporations, but it is not
13 in the Ozark Mountain Water Company.

14 Q I understand that. There is insurance on
15 some of that equipment right now, isn't there?

16 A Oh, sure.

17 Q How much of the insurance paid for the
18 repairs of the lightning damage that you mentioned?

19 A I don't have that figure with me.

20 Q Can you give me an estimate?

21 A No, sir.

22 Q Does the \$1800 figure for repairs of
23 water plant relate to the fact that lightning struck the
24 pump twice in the last 6 years?

25 A No, sir.

Missouri Public Service Commission

1 Q What does it relate to?

2 A General repairs that they need on the pumps
3 and the wells and so forth.

4 Q Is it based on past experience?

5 A Yes, sir.

6 Q What has been the past experience for the
7 repairs to the water pumps?

8 A Mr. Norman would be better qualified on that.
9 I obtained this information from him.

10 MR. CHARLES J. FAIN: Your Honor, I am going
11 to object to this procedure. We allowed Mr. Norman to go
12 without cross-examination because we were told that Roger
13 would be able to cover all of these items.

14 MR. COWAN: Mr. Norman is still here.

15 EXAMINER LORING: He is subject to recall.

16 MR. CHARLES J. FAIN: We will have to recall
17 Mr. Norman at some later time and ask him the questions on
18 these if we are now going to refer these questions back to
19 Mr. Norman.

20 EXAMINER LORING: That is perfectly agreeable.

21 BY MR. DUFFY:

22 Q Why does this Company need a profit of
23 \$2,802.08?

24 A Why does it?

25 Q Yes.

A Well, I find that that all businesses need a profit,

Missouri Public Service Commission

1 that their equipment is continuously costing more in
2 replacement, the accounts receivable are continually
3 growing. You have to have cash there as they increase. In
4 fact, the accounts receivable, we find in all businesses that
5 the inventory and the equipment is increasing far greater than
6 the profit -- that retained earnings that we are able to have.

7 Q You are talking, I assume, about the
8 businesses that you are familiar with and not public utilities,
9 since you said before this was the first public utility --

10 A It is not the first one I worked on --

11 Q I am sorry. I didn't understand your
12 answer.

13 A I have been with consumers, Springfield
14 City Water Company, and many utilities who have -- All have
15 growing pains. They all have to have money. They all have to
16 have a profit to continue to grow and increase your accounts
17 receivable and increase your equipment.

18 Q If all of your expenses are covered, why
19 do you need a profit?

20 MR. COWAN: Now, if Your Honor, please,
21 I have listened to this arguing. I am going to object.
22 This is merely argumentative. Whether the Company needs a
23 profit or not is a matter of argument.

24 EXAMINER LORING: I think it is getting a
25 little far afield. So, I will sustain that objection.

Missouri Public Service Commission

1 BY MR. DUFFY:

2 Q Let me go back and ask you about these
3 uncollectibles again, because I am not certain I understood
4 your answer before. In all of these corporations, as they
5 exist now, are there any uncollectible water accounts?

6 A Yes, sir.

7 Q How many are there?

8 A I'll have to go back and list the names,
9 the amounts, and the dates if you want them. I didn't have
10 that with me.

11 Q Can you give me an estimate on how many
12 there are?

13 A No, sir. I don't care about estimating
14 about something I don't know. I will go back and furnish you
15 a list of that.

16 Q Does it relate in any way to the \$600 figure?

17 A Yes, that would be the amount that we
18 figure that are slow and haven't paid and we lose and they
19 move. That would be --

20 Q Do the people pay anything called an
21 availability fee for water?

22 A I don't know.

23 Q If I own a lot in one of these subdivisions,
24 what is the total amount that I currently pay for water?

25 A I don't know.

Missouri Public Service Commission

1 Q Do you charge the people if they own a
2 lot, undeveloped, for running a water line to their lot,
3 or do you simply start charging them this maintenance fee
4 once they build a house on it, and start using water?

5 A Sir, that's -- (pause).

6 EXAMINER LORING: Do you know the answer
7 to that question, sir?

8 WITNESS TAYLOR: No. I am not an officer,
9 and I am going --

10 EXAMINER LORING: Let's keep it brief.
11 Just say I don't know. We are getting a lot of words in
12 here that's garbage. And, somebody is going to have to read
13 this. Your answer is you don't know in answer to that
14 question?

15 WITNESS TAYLOR: I don't know.

16 MR. DUFFY: That's all I have.

17 EXAMINER LORING: Mr. Fain.

18 CROSS-EXAMINATION BY MR. CHARLES J. FAIN:

19 Q Mr. Taylor, what interest, if any, do you
20 have in Turkey Mountain Estates?

21 A None.

22 Q Which of these corporations do you have an
23 interest in?

24 A Lakeside Investment.

25 Q Is that the only one?

Missouri Public Service Commission

1 A Yes, sir.

2 Q Will you have any interest as a stockholder
3 in Ozark Mountain Water Company?

4 A No, sir.

5 Q Except --

6 A Oh, that little bit, that fraction of a
7 percent of Lakeside.

8 Q How did you acquire an interest in Lakeside?

9 A I bought some common stock.

10 Q What did you pay for it?

11 A I don't remember.

12 Q All right, sir. How many shares did you
13 buy?

14 A I don't remember that.

15 Q Where would those records be reflected?

16 A In my office.

17 Q Will you furnish those to us as a Late
18 Filed Exhibit?

19 A Yes, sir.

20 Q Now, who else are the shareholders in these
21 corporations besides Mr. Leland Mitten, and Mr. Norman, and
22 yourself?

23 A You mean in Lakeside?

24 Q In Lakeside, Turkey Mountain Estates, and
25 the proposed -- No, Lakeside and Turkey Mountain Estates.

1 A In Lakeside, it is Mr. Gunn, Mr. Norman,
2 Leland Mitten, Roger Taylor, Ken Hamilton, Blanche Sheaffer.

3 Q What is the interest of Mr. Gunn? How
4 many shares does he own?

5 A I don't know.

6 Q You don't know? Are you the accountant
7 for these corporations?

8 A That's right.

9 Q You have kept the records all this time?

10 A That's right.

11 Q Have you done the tax work for Turkey
12 Mountain Estates since it was originated?

13 A That's right, yes, sir.

14 Q So you are responsible and you signed the
15 tax returns to the Internal Revenue Service?

16 A Yes, sir.

17 Q All right, sir. How about Blanche Sheaffer?

18 A She's the widow of Bill Sheaffer.

19 Q All right, sir. What interest does she
20 own in Turkey Mountain Estates?

21 A She owns the same interest that her husband
22 owns.

23 Q Was her husband's shares transferred to her,
24 or were they taken out in both their names jointly?

25 A No. She never -- See, they don't own
any personally. It is owned by a corporation. S & G Corporation

Missouri Public Service Commission

owns the stock in Lakeside Investment Company.

Q Well, I am asking you about Turkey Mountain Estates.

A Oh, Turkey Mountain?

Q Yes, sir. Isn't Blanche Sheaffer a stockholder --

A It's the same thing.

Q -- in Turkey Mountain Estates?

A Yes.

Q Did she acquire that as a result of her husband's death?

A She acquired his stock in S & G.

Q What is S & G?

A That's another corporation.

Q What is the nature of that corporation?

A That's a corporation that Mr. Gunn and Mr. Scheaffer and Mrs. Gunn and Mrs. Scheaffer own.

Q Very well. Is that a Missouri corporation?

A That's right.

Q Did you keep the books for it too?

A That's right.

Q Now, tell me about the interest of J. B. Gunn in Turkey Mountain Estates.

A He owns one-fourth interest in S & G Corporation.

Missouri Public Service Commission

1 Q All right, sir.

2 A And, S & G Corporation owns one-third
3 of Turkey Mountain Estates.

4 Q So, actually, then, there is no stock of
5 Turkey Mountain Estates issued to J. B. Gunn or to Blanche
6 Sheafer?

7 A Right.

8 Q It is issued to S & G Corporation?

9 A Right.

10 Q Does Leland Mitten own his stock in his
11 own name in Turkey Mountain Estates?

12 A I don't know.

13 Q Let me ask you: Who keeps the minute book
14 and the record book showing the shares?

15 A Their attorney.

16 Q Mr. Cowan?

17 A I suppose their attorney. I don't know.

18 Q Let's not suppose.

19 A Then, I don't know.

20 Q Do you have the records or not?

21 A No, sir. I don't know.

22 Q Who has the records --

23 A I don't know.

24 Q -- showing the minute book and the shares
25 of stock?

Missouri Public Service Commission

1 A I don't know.

2 Q Well, normally, that would be in the hands
3 of the Secretary, would it not?

4 A That, or the Attorney.

5 Q Well, who is the Secretary? Who is the
6 newly elected Secretary of Turkey Mountain estates?

7 A I believe Blanche Sheafer is.

8 Q Are you a member of the Board of Directors
9 of the Turkey Mountain Estates?

10 A No, sir.

11 Q Who are the members of the Board of the
12 Directors of Turkey Mountain Estates?

13 A They are Leland Mitten, Jim Norman, Blanche
14 Sheafer, J. B. Gunn, and Jim Norman --

15 Q You already said him.

16 A There are four of them.

17 Q There are four members of the Board of
18 Directors?

19 A Right.

20 Q Not six?

21 A No. Four.

22 Q Who is the registered agent of Turkey
23 Mountain Estates?

24 A I don't know.

25 Q Wasn't that recently changed to Mr. Leland
Mitten?

Missouri Public Service Commission

- 1 A I believe you are correct.
- 2 Q All right, sir. What county does Mr. Mitten
- 3 live in?
- 4 A I believe Bill Sheaffer was, and it was
- 5 changed.
- 6 Q What county does Mr. Mitten live in?
- 7 What is his address?
- 8 A Christian County.
- 9 Q He lives in Christian County, not Greene?
- 10 A That's right.
- 11 Q All right, sir. Thank you.
- 12 What did you pay for your shares in Lakeside?
- 13 A As I said, I don't remember.
- 14 Q You can't remember the amount of money you
- 15 paid?
- 16 A No.
- 17 Q Did you actually pay any money for the shares?
- 18 A Sure. Absolutely.
- 19 Q Do you realize that I am asking you if you
- 20 actually paid money, or did you render services?
- 21 A No, sir. I wrote a check. I paid for them.
- 22 Q All right. And, you don't recall the amount?
- 23 A No.
- 24 Q Was it a sizeable amount, or is it a mere
- 25 manifestation of your interest in the corporation? Is it a

1 triviality? That's what I am trying to find out.

2 A It would be something like 100 shares for
3 \$17,500.

4 Q Well, then, it is a sizeable amount, isn't it?

5 A Well, I would think so.

6 Q I won't argue with you about that point
7 if it is for that amount of money. And, then, you say you
8 have paid a check for those shares?

9 A Sure.

10 Q All right. Now, would that be reflected on
11 the minute book of Turkey Mountain Estates, what you paid for
12 those shares?

13 A I don't know about that.

14 Q Would it be reflected on Lakeside what you
15 paid for those shares?

16 A It would be reflected in the general ledger
17 in the books of Lakeside.

18 Q Do you have those books?

19 A Yes.

20 Q All right. You have the books of Lakeside
21 which is in this case now seeking to acquire a share in
22 Ozark Mountain Water Company. Do you have the books for
23 Turkey Mountain Estates?

24 A Yes.

25 Q That is, the ledgers?

1 A Yes, sir.

2 Q You don't have the minute book, as I
3 understood you?

4 A No. But, I have the ledger, and I have the
5 journal.

6 Q Now, what I am getting around to is to
7 determine what are the costs that went into these various
8 items for the Water Company that was put in by Turkey Mountain
9 Estates. Now, you developed an Exhibit here showing the
10 capital account for Ozark Mountain Water Company. Will you
11 refer to Applicant's Exhibit, please?

12 A Yes, sir, I don't have mine numbered that
13 way, sir.

14 Q Maybe Mr. Cowan can supply you with one.

15 MR. COWAN: Dated December 31.

16 WITNESS TAYLOR: Okay.

17 BY MR. CHARLES J. FAIN:

18 Q No, it is dated November 31, '77?

19 A Yes.

20 Q As I understand, Turkey Mountain Estates
21 has, according to your calculations, about 74 percent of that
22 investment in that Water Company; isn't that right?

23 A That's right.

24 Q As compared with the other corporations?

25 A Yes, sir.

1 Q But, you did not break down in any way
2 how that 74 percent was expended?

3 A In other words, you don't have any breakdown
4 on these capital account items that was paid for by Turkey
5 Mountain Estates and what was paid for by Lakeside, do you?

6 A Yes, I do have.

7 Q Would that be the work sheet that you gave
8 us?

9 A No.

10 Q May I have that work sheet?

11 A This is the one they Xeroxed for you.

12 Q That may be the one that I have.

13 A Yes, I have that one. So that then is a breakdown of Ozark
14 Mountain Water Company, the capital items that went into it;
15 is that right?

16 A Yes, sir.

17 Q But, what I am asking you is: There is no
18 breakdown as to what was paid for by Turkey Mountain Estates
19 and what was paid for by Lakeside except as to a percentage?

20 A Well, no, that's not true, because we went
21 through and took the checks, and then we supported the
22 checks with invoices and we added those up.

23 Q All right. Go ahead. Explain the
24 procedure, because I want to hear the procedure you used.

25 A My procedure was this: We were told we would

Missouri Public Service Commission

1 have to go back and set all this up on there. That took
2 us months to go back into warehouses and pick out all of our
3 old records and all our canceled checks and invoices. We
4 couldn't do it 100 percent, but we did it the very best we
5 could.

6 Q We will get into that in a minute.

7 A All right. And, then, added them up and they
8 came to this. The analysis supporting the work papers behind
9 this are in my office.

10 Q Okay. Now, what I am asking you is:
11 According to those work papers, you found of the total
12 investment in what was going to be given to Ozark Mountain
13 Water Company was made by Turkey Mountain Estates, 74 percent
14 of it?

15 A Yes.

16 Q But, you don't show any breakdown as to
17 how that 74 percent was arrived at, do you?

18 A Well, I thought it showed on there.

19 Q All right, sir. Can you supply me with a
20 work sheet that will show the breakdown of the actual
21 expenditures of Turkey Mountain Estates in the capital items
22 that is now wanting to contribute to Ozark Mountain Water
23 Company? That's the first thing I am asking. Do you understand
24 what I am asking for?

25 A If I understood you, we will take like water

Missouri Public Service Commission

1 lines, --

2 Q Well, the first one is wells?

3 A Yes.

4 Q You have got \$15,486.01?

5 A Right.

6 Q I want to know how much of that was expended
7 by Turkey Mountain Estates.

8 A All of it, 100 percent.

9 Q Well, you came out with a 74 percent.

10 A Overall.

11 Q But, on wells then, you say all of that
12 money was spent by Turkey Mountain Estates now?

13 A Absolutely.

14 Q All right, sir. This may be simpler than
15 I thought.

16 What I want now are the breakdown items.
17 You have it here by wells and so on, but you must have a
18 work sheet that showed either an invoice or a check, what we
19 would call original cost documents, would you not?

20 A Yes.

21 Q You said there were a lot you simply
22 couldn't trace back, and what did you do, estimate those
23 items?

24 A No, we didn't estimate anything. We only
25 took what we could find. We have a record for everything.

Missouri Public Service Commission

1 In other words, sometimes we could find a canceled check,
2 but we couldn't find an invoice to match it. See what I mean?

3 Q You mean you used either--

4 A We used checks, actually expenditures,
5 but those old records and those old invoices, 7 years ago,
6 some of the invoices we couldn't find, but we have got checks
7 for all of them.

8 Q So, these actually represent actual
9 expenditures so far as Turkey Mountain Estates is concerned --

10 A Right.

11 Q -- except for the land?

12 A Right.

13 Q You estimated that?

14 A Well, you are right, but, after all, there
15 is cost in the land, plus the development. That's about
16 what it was. It might be off \$500.

17 Q We won't quibble about that. But, you
18 won't find any record --

19 A No.

20 Q -- that would bear out that item?

21 A No.

22 Q Can you tell me if in any of those items,
23 which represent \$175,713.95, there are any costs other than
24 the actual costs of the materials, supplies, and the labor
25 for putting in a water system? In other words, are there

Missouri Public Service Commission

1 attorney fees, are there any of these costs, legal fees,
2 bookkeeping, or anything of that nature?

3 A No, there wouldn't be. No. That was all
4 expense.

5 Q As I understand the system that you have
6 set up for bookkeeping for Turkey Mountain Estates, it was
7 the land owner, was it not? All of these parties conveyed to
8 Turkey Mountain Estates originally, did they not?

9 A Yes.

10 Q And, Turkey Mountain Estates made the
11 dedication of the plat as the owner of the land; correct?

12 A Yes.

13 Q So, you started out with a cost for Turkey
14 Mountain Estates, what cost that Turkey Mountain Estates paid
15 for the land; is that correct?

16 A Right.

17 Q And, that will be reflected in your book?

18 A Right.

19 Q Now, then, when there was an expenditure
20 made, I suppose annually, you totaled up the total amount and
21 divided it by the number of lots to get a pro rata share for
22 tax purposes, pro rata share of the cost for each lot?

23 A No; we did that monthly.

24 Q Monthly? Okay. Very good. All right.

25 Now, was there any land that Turkey Mountain Estates had that

1 was not subdivided into lots? In other words, was there a
2 lumping off of land that you had to put in a large sum for
3 that was not developed?

4 A Only the Country Club that I can think of.

5 Q And the golf course?

6 A Sir?

7 Q And the golf course?

8 A And the golf course.

9 Q And the airstrip?

10 A And the airstrip.

11 Q How did you prorate those costs amongst
12 the lot owners?

13 A Took what those lot costs were and pulled
14 them out of the costs.

15 Q In other words, let's say when a buyer
16 came along and bought the lot, you have prorated as a part of
17 the cost of that lot not only any costs then in the water
18 system, but also in the development of the golf course and
19 the airstrip?

20 A The golf course and the airstrip are not
21 in the cost of the lots.

22 Q I thought you told me a moment ago it was,
23 but evidently now you say it isn't; is that right?

24 A Maybe I didn't understand you. If you
25 say it --

Missouri Public Service Commission

1 Q Let's go over it again.

2 A Yes.

3 Q In determining what were the pro rata costs
4 of each lot, did you put anything against the lots for the
5 land that was the golf course or the airstrip?

6 A No.

7 Q You say no?

8 A If I understand the way you are putting it
9 to me, I understand it probably different than you do, --

10 Q Then, you just explain in your own words
11 what you did.

12 A We took the number of lots that the golf
13 course and the airstrip and so forth covered and pulled that
14 out of our cost of lots for sale, and it sets over on our
15 books as a separate asset.

16 Q Do you mean that there were certain lots
17 platted and dedicated but these were then set aside, that is,
18 for the airstrip and the golf course, or was this just a plot
19 of land that happened to be the airstrip and the golf course?

20 How did you determine what lots fell in the
21 airstrip and the golf course?

22 A I would have to go back to my detailed
23 records, which was some 10 years ago, to see exactly how
24 we determined it, to see my adjusting journal entries and
25 my ledger. But, the Country Club, the golf course, that is all

1 separate as assets on the balance sheet, and it is now pulled
2 out of the --

3 Q All right. Based upon your answer, then
4 you must have a separate ledger sheet for the costs that
5 went into construction of the golf course, the clubhouse,
6 the swimming pool, and the airstrip; --

7 A That's right.

8 Q -- is that correct?

9 A Absolutely, and recently, if I may add,
10 they asphalted where the hangar is built, and they decided
11 not to build a hangar. So, that is picked up as a separate
12 asset on the balance sheet.

13 Q Okay. So, actually, then, when you talk
14 about the costs of the development, we are talking about the
15 survey, --

16 A Right.

17 Q -- the original cost of the land, --

18 A Right.

19 Q -- the laying out of the roads, --

20 A Right.

21 Q -- and the putting in of the water system?

22 A Right.

23 Q Those are the items that went into the
24 costs of each lot?

25 A Right, and any other capital items that

1 pertained to development went in there too.

2 Q What other items would there be?

3 A I said if there were any.

4 Q You kept the books; right?

5 A Yes, sir, but I don't put everything --
6 I don't enter everything with a big fund. We would have to
7 go to the books to find that.

8 Q Well, if there were any other costs than
9 this, it would be reflected on the books, such as your
10 incorporation fees and that sort of thing?

11 A That's right. Engineering fees.

12 Q Engineering. This might be broken down
13 on each lot; right?

14 A They might have gone back and got more plats
15 and added on, things like that, you know.

16 Q Now, we come to the point where you have the
17 thing developed, and you have lots for sale?

18 A That's right.

19 Q You have advertising costs, you have mailing
20 costs, all of these sort of costs that go into the sale of
21 land, right?

22 A Well, that's under the sales. That doesn't
23 become part of the cost of the lot.

24 Q Then, that was not put on and prorated among
25 the lots, those lots?

Missouri Public Service Commission

1 A No. That's overhead.

2 Q Okay. Now, when the buyer came along and
3 answered the ads, or whatever, and came down to purchase
4 a lot, they were given a figure that represented these costs
5 that you and I have discussed plus a reasonable profit,
6 whatever the corporation determined it would try to get for
7 that lot; is that correct?

8 A I was never there once in my life when that
9 happened. I don't know. I had nothing to do with the selling
10 of any of the lots.

11 Q So you don't know how the prices were set?

12 A No, sir.

13 Q Who would be the person that would have set
14 the prices?

15 A The Board of Directors.

16 Q The Board of Directors?

17 A That would be about right, and the salesman.

18 Q The salesman wouldn't set the price on the
19 lot, would he?

20 A If he didn't, the Board of Directors --

21 Q Unless --

22 A -- give him certain leeway.

23 Q In other words, you and I know that some of
24 this is what the traffic will bear. So, that's why, in many
25 instances, I see different prices on these lots; isn't that
right?

Missouri Public Service Commission

1 A Uh-huh.

2 Q Now, what I would like to know is: Can you
3 break out in your books the costs incurred in the capital
4 items you and I have discussed for Turkey Mountain Estates
5 No. 1?

6 A Costs for what?

7 Q The costs on those lots that we have just
8 been discussing. You have Turkey Mountain Estates No. 1 and
9 Turkey Mountain Estates No. 2 that were covered by Turkey
10 Mountain Estates?

11 A That dates back over 10 years.

12 Q I understand that. But, what I am asking
13 you is whether or not you can break out those costs, that
14 you and I have discussed here today, for Turkey Mountain
15 Estates No. 1 separate from and apart from Turkey Mountain
16 Estates No. 2 or the total which you have given us in your
17 work sheet?

18 A I don't know.

19 Q You don't know?

20 A I don't know.

21 Q Well, it inevitably leads to that question.
22 Have you made out the income tax returns for Turkey Mountain
23 Estates all of those years?

24 A That's right.

25 Q Do you have copies --

1 A That's right.

2 Q -- of the income tax returns that were made?

3 A Yes, sir.

4 Q And, the income tax returns would reflect
5 the sales that were made each year, would they not?

6 A Yes, sir.

7 Q And, it would reflect the costs that went
8 into the development of the lots as well as what you and I
9 call normal operating costs that we have discussed?

10 A That's right.

11 Q And, that would be shown separately on the
12 income tax returns?

13 A That's right.

14 Q All right, sir. Then, if those income tax
15 returns were taken and the lots were shown just for Turkey
16 Mountain Estates No. 1, we could get the figure that I am
17 seeking, could we not?

18 A As far as the income tax, it doesn't show
19 that as Turkey Mountain 1, and Turkey Mountain 2, not in
20 that category.

21 Q You would have to show a report of gross
22 income for the year, would you not?

23 A That's right.

24 Q Then, you would have a work sheet as to
25 how you arrived at the gross income; right?

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A That's right.

Q And, that work sheet would be broken down to show what lots were sold, would it not?

A That's right.

Q All right, sir. That's what I am seeking. If your attorney consents, can you furnish us with copies of those work sheets, and the income tax returns that will show the costs that went into Turkey Mountain Estates Subdivision No. 1?

A We are not interested in No. 2.

Q I am asking you about No. 1.

A I can't answer that, I don't know.

Q You said that you had the records. I am asking you, if your attorney concurs in my request, can you furnish us copies of those?

A Of what? The tax returns?

Q The income tax returns and the work sheets that you and I have just discussed on which you based your gross income, that is, the sale of the lots.

A Well, if our attorney ordered me to and the court ordered me to, --

Q Well, now, wait a minute. I am not asking you to make a judgment about the legality of my request. What I am trying to find out is if you have those records and if they are available and they are in your possession. I am

Missouri Public Service Commission

1 not seeking any legal determination by you about my request.
2 Do you understand the difference? I think that's about what
3 you were getting around to giving me. What I am trying to
4 find out is whether these records exist, and, as I understand,
5 they are in your hands. Am I right or wrong?

6 A All of the journals, all of the ledgers,
7 and all of the tax returns are in my possession --

8 Q All right, sir.

9 A -- of all of the corporations.

10 Q Now, I want to be sure. I don't want to put
11 you in an unfair position. I want to be sure that you under-
12 stand what my request is. I am asking you if, based upon your
13 work sheets showing gross income for each year, you can supply
14 me with the lots that were sold, as to what they were sold for,
15 and what the capital expense items were that were charged up
16 against them, as you and I have just discussed.

17 A That detailed information would be in the
18 individual records at the bookkeeper at Shell Knob. The
19 number of lots they sold each month and the amount they
20 received come to us and the payments by the various years and
21 all of that. But, the detailed part is done at Shell Knob.

22 Q All right. We are making progress. In
23 other words, you don't have the work sheets as to how you
24 arrived at the gross income when you made out the tax returns?

25 A Certainly, I have got them. You couldn't make

Missouri Public Service Commission

1 it out unless I had something to make it with.

2 Q I thought you said that they supplied the
3 gross sales items but not the breakdown?

4 A They don't break it down for me as to whether
5 they sold it over in No. 2, or No. 1.

6 Q When you put the gross income for income
7 tax purposes, you don't know whether it came from Turkey
8 Mountain Estates No. 2 or Turkey Mountain Estates No. 1?

9 A I am not sure.

10 EXAMINER LORING: What was your answer?
11 I didn't hear.

12 WITNESS TAYLOR: Sir?

13 MR. CHARLES J. FAIN: He said he is not
14 sure.

15 WITNESS TAYLOR: I am not sure about that.
16 I don't do that detail work myself in the office, and I would
17 have to find out.

18 BY MR. CHARLES J. FAIN:

19 Q All right. Then, if I do request those,
20 will you determine if you have that information, and, if you
21 do, will you make it available to us in the event that your
attorney concurs in the request?

MR. COWAN: Well, Mr. Fain, I think we
ought to get this clarified. Those are not the attorney's
records. Those are the client's records. If there is legal

Missouri Public Service Commission

1 process to get them, you can use legal process. Make up
2 your mind. But, I fail to see the relevance of it. As I
3 understand, the records they have are simply an investment
4 in lots, and that as to any individual lot, Mr. Taylor
5 couldn't tell you any more what is invested in an individual
6 lot than I can. Is that correct, Mr. Taylor?

7 WITNESS TAYLOR: I think that's generally
8 true.

9 MR. CHARLES J. FAIN: I think that's right,
10 although he was leading me astray that he did have them,
11 but I have discovered that he doesn't have them.

12 MR. COWAN: Go ahead with your questions.
13 I have a question of Mr. Taylor later. But I don't see
14 the relevance of it.

15 MR. CHARLES J. FAIN: You can make your
16 objections. Go ahead and make them.

17 EXAMINER LORING: We don't have any requests
18 for anything yet. Let's go on with the cross-examination.

19 MR. CHARLES J. FAIN: I want to find out
20 where they are, Your Honor, before I make the request.

21 BY CHARLES J. FAIN:

22 Q Okay. But, you have a portion of the
23 records, that is, the income tax returns and the work sheets,
24 that would show the gross income and expenses upon which
25 you based your income tax returns for Turkey Mountain Estates

Missouri Public Service Commission

1 No. 1?

2 A Right.

3 Q This would be for all of the years since
4 it was incorporated and began to sell lots up to the present,
5 up to 1977?

6 A That's right.

7 Q Now, who would be the individual, to your
8 knowledge, who keeps the records for Turkey Mountain Estates
9 Corporation? Who would be the individual that supplied you
10 with those gross income figures? Do I make myself clear to
11 you? I think you can think that through pretty easily.

12 A Betty, the bookkeeper at Shell Knob.

13 Q What is her name?

14 A Betty something.

15 Q I am sorry. That won't help me much.

16 Mr. Norman, can you supply that?

17 MR. NORMAN: Betty Hutchison.

18 MR. CHARLES J. FAIN: Can you give me the
19 spelling, H-u-t-c-h-i-n-s-o-n?

20 MR. NORMAN: i-s-o-n.

21 BY MR. CHARLES J. FAIN:

22 Q And, what is her mailing address, please,
23 Shell Knob? Is she a resident of Barry County?

24 A Uh-huh.

25 MR. CHARLES J. FAIN: All right. So, I make

Missouri Public Service Commission

1 my first request. Your Honor, I request that this witness,
2 who is the accounting witness, and who was referred to as being
3 able, and that he developed all of these figures upon which
4 they based their capital costs in the Exhibit, Exhibit 17,
5 he was represented as being the man who developed these
6 or that they were developed under his supervision. So, I am
7 now asking that he make available to us the federal income
8 tax records of Turkey Mountain Estates, Incorporated for the
9 years 1967 through 1977, plus the work sheets showing a
10 breakdown of the gross income and the expenses for each of
11 those years, those items being tendered to him by Miss
12 Betty Hutchison of Shell Knob, Missouri.

13 EXAMINER LORING: Let's go off the record.

14 (Discussion off the record.)

15 EXAMINER LORING: Let's go back on the
16 record.

17 MR. CHARLES J. FAIN: Your Honor, I renew
18 my request of this witness for the records that I have
19 requested, and I will also be seeking by the proper
20 procedures the additional information which I will need
21 from Miss Betty Hutchison in this matter. We can incur a lot
22 of delay, but I think Mr. Taylor has been very frank and
23 candid and helpful in stating where these records are so that
24 it is narrowed down to two people. So, I would request they
25 be made available by Mr. Taylor, and I am going to ask the

Missouri Public Service Commission

1 Applicant if their employee, the bookkeeper, Miss Betty
2 Hutchison, will make the information available to me for
3 each of those years on what items made up the gross income
4 for Turkey Mountain Estates, Inc., the Applicant in this
5 case. So, that is my request, and I ask for a ruling from
6 the chair.

7 EXAMINER LORING: I don't see there is
8 anything for me to rule right now for this request. This is
9 a request for voluntary compliance, as I see it.

10 MR. COWAN: We can't give him an answer.
11 I don't know what he is asking for. I couldn't say yes or no.

12 EXAMINER LORING: This request is in the
13 record, and the Commission can take it up.

14 MR. CHARLES J. FAIN: Well, Your Honor,
15 if they wanted to cooperate, they could supply these. If
16 they don't, I will have to go the subpoena route. But
17 I was hopeful that we could expedite the matter. If they are
18 not willing to make these available on this sort of a request,
19 I would like to know, because I don't want to waste a lot of
20 time. I will get these subpoenas issued, and we will go
21 from there.

22 I will be happy to put my request in
23 writing, but, eventually, they will either have to say yes or
24 no or maybe.

25 MR. COWAN: May I make this suggestion on the

1 record: If Mr. Fain will write me a letter stating
2 precisely what he wants, I will give him a prompt reply
3 whether we will voluntarily furnish it, but I can't promise
4 to furnish something I haven't seen.

5 MR. CHARLES J. FAIN: That's reasonable.
6 I wouldn't expect him as an attorney to promise to do that.
7 That is reasonable, Your Honor, and on the record, we state
8 that we will make such a formal request of Mr. Cowan, and
9 we will send a copy of it to the Commission for the Commission's
10 records.

11 EXAMINER LORING: Very good. Let's go off
12 the record once more.

13 (Discussion off the record.)

14 EXAMINER LORING: Let's go back on the
15 record.

16 The hearing will be in recess, and be
17 adjourned to a date to be fixed by the Commission.

18 WHEREUPON, the hearing in this matter
19 was continued to a date to be fixed by the Commission with
20 notice to all parties.

21 * * * * *

I N D E X

PAGE

APPLICANTS' EVIDENCE:

JIMMIE NORMAN

Direct Examination by Mr. Cowan	13
Cross-Examination by Mr. Duffy	65
Cross-Examination by Mr. Charles B. Fain	74
Further Cross-Examination by Mr. Duffy	92
Further Cross-Examination by Mr. Charles B. Fain	94
Questions by Examiner Loring	95
Redirect Examination by Mr. Cowan	96

ROGER H. TAYLOR

Direct Examination by Mr. Cowan	97
Cross-Examination by Mr. Duffy	111
Cross-Examination by Mr. Charles J. Fain	140

* * * * *

Missouri Public Service Commission

E X H I B I T S

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APPLICANTS' EXHIBITS:

Exhibit No. 1	
Subdivisions Proposed to be	
Served by Ozark Mountain	
Water Company	15
Exhibit No. 2	
Map - Turkey Mountain Estates	
and Mitten's Second Subidivision	
S.D., Shell Knob, Missouri	18
Exhibit No. 3	
Map - Lakeside Heights and	
Tomahawk Heights, Shell Knob,	
Missouri	18
Exhibit No. 4	
Map - Turkey Mountain Estates	
No. 2, Shell Knob, Missouri	18
Exhibit No. 5	
Permit of Approval No. 6163	
from Division of Health	35
Exhibit No. 6	
Permit of Approval No. 6177	
from Division of Health	36
Exhibit No. 7	
Permit of Approval No. 6162	
from Division of Health	37
Exhibit No. 8	
Letter Addressed to Mr. Norman	
from the Department of Natural	
Resources dated January 4, 1978	38
Exhibit No. 9	
Letter Addressed to Mr. Norman	
from the Department of Natural	
Resources dated April 6, 1978	40

Missouri Public Service Commission

EXHIBITS

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APPLICANTS' EXHIBITS: (CONTINUED)

Exhibit No. 10

Articles of Incorporation of
Turkey Mountain Estates

45

Exhibit No. 11

Articles of Incorporation of
Lakeside Investment Company

46

Exhibit No. 12

Letter Addressed to Mr. Leland
A. Mitten from PSC Counsel
dated August 19, 1977

47

Exhibit No. 13

Letter Addressed to Mr. Leland
A. Mitten from PSC Counsel
dated September 15, 1977

49

Exhibit No. 14

Certificate of Incorporation

50

Exhibit No. 15

Copy of proposed Ozark Mountain
Water Company stock certificate

58

59

Exhibit No. 16

Copy of Order of the County
Court of Barry County

59

59

Exhibit No. 17

Three-Page Document: Balance Sheet;
Depreciation Schedule; Pro Forma Profit
and Loss Statement

99

Exhibit No. 18

Amended Pro Forma Profit and Loss
Statement

107