

GREGORY D. WILLIAMS
ATTORNEY AT LAW
HIGHWAY 5 AT 5-33
P. O. BOX 431
SUNRISE BEACH, MO 65079

573 / 374-8761

FAX 573 / 374-4432

March 10, 2000

Hon. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED

MAR 16 2000

Attn: Filing Desk

Missouri Public
Service Commission

Re: Osage Water Company – Rate Cases
SR-2000-556
WR-2000-557

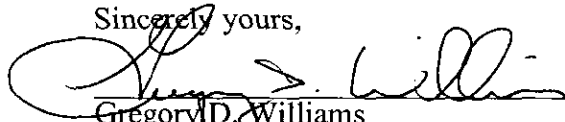
Dear Judge Roberts:

Please find enclosed for filing the original and 14 copies of the following pleadings, together with an additional copy to be stamped "filed" and returned to me in the enclosed envelope.

1. Osage Water Company's Response to Motion to Open Formal Docket and Request for Early Public Hearing in Case SR-2000-556.
2. Osage Water Company's Response to Motion to Open Formal Docket and Request for Early Public Hearing in Case WR-2000-557.

I appreciate your time, attention, and assistance in this matter. If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely yours,


Gregory D. Williams

cc: Office of General Counsel
Shannon Cook, OPC
William P. Mitchell

FILED

MAR 16 2000

Missouri Public
Service Commission

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

In the Matter of Osage Water Company's)	
Request for a Rate Increase for Sewer Service)	Case No. SR-2000-556
Pursuant to the Public Service Commission's)	Tariff No. 200000346
Small Company Rate Increase Procedure.)	

**OSAGE WATER COMPANY'S RESPONSE TO MOTION TO
OPEN FORMAL DOCKET AND REQUEST FOR EARLY
PUBLIC HEARING**

COMES NOW Osage Water Company ("OWC") and for its response to the Motion filed herein by the Office of Public Counsel ("OPC") to Open Formal Docket and Request for Early Local Public Hearings herein states as follows:

1. By agreement among the Commission's Staff, the Office of Public Counsel, and Osage Water Company, OWC filed this Small Company Rate Case to satisfy the requirements set out in the Commission's Orders in WA-94-132, WA-97-110, and WA-98-36 that OWC's water and sewer rates be reviewed beginning in the fall of 1999. The parties expressly agreed that the rate review was to be handled as a Small Company Rate Case on an informal docket.
2. OPC has filed a request to convert the informal docket to a formal docket, and to schedule an early local hearing. OPC states as a basis for its request that it has received numerous telephone contacts voicing concern about the proposed rate increase, and claims asserting that OWC's water and/or sewer service is unsafe or inadequate.
3. OWC in its Small Company Rate Increase procedure did request an increase in its revenues for both water and sewer service over its revenues for its base year of 99.6% for water service and 121.86% for sewer service. A substantial portion of the requested increase is anticipated by OWC to be attributable to increases in its water and sewer

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customer base, due in part to growth within existing service areas, and in part to recently certificated service areas including Parkview Bay, Golden Glade, and Eagle Woods.

4. The Commission's Staff has been conducting a complete audit of OWC's books and records for the purpose of preparing a report to the Commission as to OWC's investment, rate base, operating costs, and current and anticipated revenues. That audit is not yet complete. As a result of that audit, the Commission will be able to determine whether a substantial increase in OWC's rates is or will be required to generate the revenue increases requested by OWC. A public hearing for the purpose of hearing customer comments and complaints about the as yet unknown amount of an actual rate increase, if any, would be premature at this time. The Commission should delay the scheduling of any public hearing until such time as its Staff has completed its audit and prepared its recommendations, so that accurate information as to the amount and structure of any rate increase will be available at the local public hearing, if the Commission deems such a hearing to be necessary.
5. OPC also asserts that there are numerous and complex customer service issues that need to be addressed at an early point in this rate increase case. OPC failed to identify with particularity in its motion the specific customer service issues that it wishes to raise in this proceeding. **OPC did not contact OWC to obtain information regarding any of those specific customer service issues before filing its motion herein.** Counsel for OWC has contacted OPC and inquired as to the customer service issues alleged by OPC. Those issues may be summarized as follows:
 - a. Sewage bypassing the treatment plant at Chelsea Rose as a result of a plugged sewer main resulting in discharge into the Lake of the Ozarks. This incident

occurred in 1998 and was resolved immediately by OWC once the bypass was located. The by-pass occurred as the result of a manhole in the sewer main being covered with dirt by a contractor constructing a new home adjacent to the sewer main. OWC believes this problem was resolved promptly after OWC received notice of the problem.

- b. Low water pressure and volume at Chelsea Rose during the summer of 1999. The Chelsea Rose service area experienced substantial growth in its customer base between 1998 and 1999. OWC commenced construction of a new high capacity well for the Chelsea Rose system during the spring of 1999 at a cost in excess of \$40,000, and placed the well in service during July of 1999. Low pressure and volume problems due to customer growth were experienced on weekends after Memorial Day and before the new well went on-line in July. OWC advised customers to avoid water lawns and washing cars during peak usage periods on weekends. OWC believes that construction of the new well has alleviated all pressure and volume problems with this system.
- c. Water Quality Problems at Chelsea Rose. OPC reports a customer complaint that water at Chelsea Rose contains coliform bacteria. OWC has tested this water system monthly as required by MDNR, and has not found any indication that the water fails to meet MDNR standards. The water was recently tested by MDNR and was found to be safe as shown by Exhibit A attached hereto. OPC has not provided any test results showing coliform bacteria or other health hazards in the Chelsea Rose water system.

- d. Sewer Service Line Problems at Chelsea Rose. OPC reports a customer with sewage running across his property from his service line. OWC is aware that the Siefkas residence had an improperly constructed connection both from the residence to the septic tank, and from the tank to OWC's collection sewer. Numerous service calls were required of OWC to correct defective work by the builder of the house (not an affiliate of OWC). OWC's personnel properly connected the house to the septic tank, and completely replaced the service line from the tank to the collection sewer. Before these repairs, there was sewage running across the customer's property as a result of improper construction of his service lines. The problem was not caused by OWC, but was repaired by OWC.
- e. Faulty Alarm at Cedar Glen Condominium. OPC reports customer complaints regarding the alarm on a septic tank system at Cedar Glen Condominium. Although newly constructed, the pump system on the septic tank frequently and erratically triggered the "high level alarm" although the tank was not in fact overfilling. After several service calls where no problems were found, OWC personnel disabled the faulty alarm until the float switch triggering the alarm could be replaced. The float switch was replaced several months ago, and appears to be working properly, as the faulty alarms have not re-occurred.
- f. Complaints from Park Place Condominium. Park Place Condominium is not within OWC's certificated areas. Park Place was a failed condominium project which was acquired during 1999 by the same developers who are developing Cedar Glen Condominium. OWC is operating the system under contract with those developers, and that relationship is reflected on bills to customers of that

project. When OWC began operating the systems, it found the sewer plant turned off, and fecal coliform bacteria in the water supply. Remedial action was immediately taken, including repairs to the treatment facility and issuance of a boil order for the water supply, shock chlorination treatment, and repairs to restore proper operation of the well and storage tanks. Park Place may be the subject of a future certificate case, if the systems can be brought into full compliance with MDNR regulations. OWC does not have any customers at Park Place, just an operations contract with the developer.

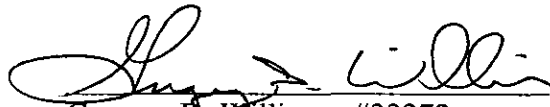
g. Complaints from Eagle Woods. The Commission just recently granted OWC's application for a certificate to serve Eagle Woods, and OWC is currently in the process of establishing service to Eagle Woods. OWC is aware from the local public hearing held in WA-99-437 that there are serious service problems, and is working with MDNR and the project developer to resolve all of those problems as expeditiously as possible. Under the tariff pages recently filed with the Commission, service by OWC to Eagle Woods is to commence on March 31, 2000.

6. Based on OWC's inquiry and the response from OPC, it appears that the customer service issues described by OPC in its pleading are in fact service issues to which OWC has previously and adequately responded, and that the issues described therein **have been fully resolved** and that OWC's customers are receiving safe and adequate water and sewer utility service. They do not appear to justify, in and of themselves, an early local public hearing or the opening of a formal docket in this case.

7. OPC has also attached to its Motion a Petition of various customers requesting that the Commission conduct a public hearing in Sunrise Beach regarding the proposed rate increase. OWC would respectfully request that the Commission should wait until the amount of the proposed rate increase is determined, and at this time, only the proposed revenue increase is known.
8. OWC would also respectfully suggest that the OPC has not plead with particularity the quality of service issues which it desires to raise in this case, and OWC's response thereto as set forth herein is limited to the verbal information provided to OWC's counsel by OPC. This method of pleading does not properly frame any issues for determination by the Commission in this case, and, if for no other reason, the OPC's motion should be denied on this basis.
9. OWC is well aware that the percentage increase in revenues it has requested, and the hypothetical percentage increase in rates set out in the customer notice letter has generated substantial concern and interest by its customers in this rate case. OWC is also aware that the recent expansion of its service areas and ongoing increases in its customer bases within existing service areas will have a material affect on its base revenues, and that the amount and structure of a rate increase to achieve desired revenues has not yet been proposed by the Commission's Staff. OWC would therefore submit that opening a formal docket and conducting early public hearings prior to completion of the Staff Audit or development of a proposed rate increase and based upon inadequately investigated and vague allegations of customer service complains is not reasonable at this time.
10. OWC believes that a local public hearing may be productive after the Staff Audit has been completed and a proposed new rate structure has been formulated, depending on the

results of the audit and the proposed rate increases, if any, but would be premature and a waste of the Commission's resources at this time.


WHEREFORE, Osage Water Company prays for an Order of the Commission herein denying the Motion to Open Formal Docket and Request for Early Public Hearing filed herein by the Office of Public Counsel.

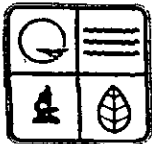


Gregory D. Williams #32272
Highway 5 at Lake Road 5-32
P.O. Box 431
Sunrise Beach, MO 65079
(573) 374-8761
Attorney for Osage Water Company

CERTIFICATE OF SERVICE

I, Gregory D. Williams, do hereby certify that a true copy of the foregoing was on this 13 day of June, 2000, mailed, postage prepaid, to the following:
General Counsel, Missouri Public Service Commission, P.O. Box 360, Jefferson City, MO 65102-0360; Shannon Cook, Assistant Public Counsel, 301 East High Street, P.O. Box 7800, Jefferson City, MO 65102-7800.


Gregory D. Williams



NRPWBR10

MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL QUALITY
PUBLIC DRINKING WATER PROGRAM

P.O. Box 176 Jefferson City, Missouri 65102 573-751-5331

Public Water Supply Bacteriological Report

02/14/2000

PWS NAME: CHELSEA ROSE SUBD - OWC

PWS ID: M03031244

MAIL TO: WILLIAMS GREG
PRESIDENT, OWC
OSAGE WATER COMPANY
P.O. BOX 431
SUNRISE BEACH MO 650790000

Please notify us of any
name and address changes

County: CAMDEN

DATE COLLECTED
02/08/2000

COLLECTOR
SJ

DATE ANALYZED
02/09/2000

SAMPLE TYPE
SPECIAL

SAMPLE
NUMBER

LOCATION NAME

LOCATION
ID

LAB RESULTS

5 SPECIAL

SPECIAL

A

A = Coliform Absent. Sample(s) considered safe.

