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Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

January 11, 2002

Mr. Greg Williams
Osage Water Company
Highway 5 at Lake Road 5-32
P.O. Box 431
Sunrise Beach, MO 65079

Dear Mr. Williams:

On November 26th, 2001, Osage Water Company (Osage or Company) filed a motion for leave to file delinquent annual report for the calendar year 1999. Since Osage has filed this petition, the Accounting Staff has performed a review of the Company's 1999 annual report in comparison to the Company's 1998 annual report and work papers maintained by the Staff from previous cases.

Based upon the Accounting Department's review of Osages' 1999 annual report, discrepancies were found within the report. Please be advised that the Staff will be filing a motion for an extension of time to work with the Company to provide corrected pages or explanations as to the discrepancies, listed below. If you have any questions, please contact me at (573) 526-3482.

Annual Report Discrepancies:

1. Page 4: No Other Assets were listed. Accounts Receivable and Non Utility Property is usually shown here with a brief explanation attached. This information has been previously reported in prior annual reports.
2. Page 5: Capital Stock has increased from \$158,200 in 1998 to \$283,200 in 1999 with no increase in shares issued, which are listed on page 2 of the report.
3. Page W-1:
 - A.) Outside Services Employed does not match what is reported on page 8 of the report.

- B.) Amortization Expense in the past has been the same as amortization for CIAC but in 1999 the amounts are different. If you have made a change in the way this is calculated, please provide.
- C.) Other Expenses are not explained.
- 4. Page W-5: Water Utility Plant Balance First of Year does not match the 1998 Balance End of Year.
- 5. Page W-6:
 - A.) Depreciation Reserve-Water Utility Property Balance First of Year does not match the 1998 Balance End of Year.
 - B.) Annual Depreciation Expense is lower than previous years. It would seem to reason that if plant increased and there were few retirements that depreciation expense would also increase.
- 6. Page W-7: Information is not completed.
- 7. Page W-8: Information is not completed.
- 8. Page W-9: Information is not completed.
- 9. Page S-1:
 - A.) Rent Expense is not explained.
 - B.) Outside Services Employed does not match what is reported on page 8 of this report.
 - C.) Regulatory Commission Expense is not listed.
- 10. Page S-4: Sewer Utility Plant Balance First of Year does not match the 1998 Balance End of Year.
- 11. Page S-5:
 - A.) Depreciation Reserve-Sewer Utility Property Balance First of Year does not match the 1998 Balance End of Year.
 - B.) Annual Depreciation Expense is lower than previous years. It would seem to reason that if plant increased and there were few retirements that depreciation expense would also increase
- 12. Page S-6: Collecting Sewers information is not completed.

Sincerely,

Amanda C. McMellen
Regulatory Auditor II
Accounting Department