



**Missouri Public Service Commission**

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**SHEILA LUMPE**  
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**HAROLD CRUMPTON**  
**CONNIE MURRAY**  
**M. DIANNE DRAINER**  
Vice Chair

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<http://www.ecodev.state.mo.us/psc/>

**CECIL I. WRIGHT**  
Executive Secretary  
**SAM GOLDAMMER**  
Director, Utility Operations  
**GORDON L. PERSINGER**  
Director, Advisory & Public Affairs  
**VACANT**  
Director, Utility Services  
**DONNA M. KOLILIS**  
Director, Administration  
**DALE HARDY ROBERTS**  
Chief Administrative Law Judge  
**DANA K. JOYCE**  
General Counsel

October 14, 1997

**FILED**

**OCT 14 1997**

**MISSOURI  
PUBLIC SERVICE COMMISSION**

Mr. Cecil I. Wright  
Executive Secretary  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. WA-97-110 - Osage Water Company**

Dear Mr. Wright:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of **STAFF'S RESPONSE TO MOTION TO SUBMIT CASE ON VERIFIED APPLICATIONS.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

*Wm K Haas*

William K. Haas  
Senior Counsel  
(573) 751-7510  
(573) 751-9285 (Fax)

WKH/wf  
Enclosure

cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

OCT 14 1997

MISSOURI  
PUBLIC SERVICE COMMISSION

In the Matter of the Application of Osage )  
Water Company for a Certificate of )  
Convenience and Necessity Authorizing it to )  
Construct, Install, Own, Operate, Control, )  
Manage and Maintain a Water System for the )  
Public Located in Unincorporated Portions of )  
Camden County, Missouri )

Case No. WA-97-110

**STAFF'S RESPONSE TO MOTION TO SUBMIT CASE ON VERIFIED APPLICATION**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its response states:

1. Osage Water Company (Company) is an existing public utility which operates water systems in certain areas of Camden County pursuant to certificates of convenience and necessity granted by the Missouri Public Service Commission (Commission).
2. On September 17, 1996, the Company filed an application requesting certificates of convenience and necessity for a sewer system in Chelsea Rose subdivision and for water and sewer systems in Cimmaron Bay subdivision. Both subdivisions are in Camden County.
3. The Company's 1992 and 1993 Annual Reports, originally due April 15, 1993 and 1994, respectively, were filed with the Commission on March 7, 1997.
4. On May 22, 1997, the Company filed an amendment to its application.
5. On June 12, 1997, the Staff sent a letter to the Company stating that the Staff anticipated writing a recommendation for approval of the application in this case shortly after receiving the Company's Annual Reports for 1994, 1995 and 1996, and asking the Company to submit these Annual Reports in complete form as quickly as possible.

6. The Company's 1994 and 1995 Annual Reports, originally due April 15, 1995 and 1996, respectively, were filed on July 22, 1997. The Company's 1996 Annual Report, originally due April 15, 1997, was filed on August 27, 1997.

7. On September 19, 1997, the Staff sent a letter to the Company which identified a number of items in the Company's 1992, 1993, 1994, 1995 and 1996 Annual Reports requiring correction or additional explanation. A copy of the Staff's letter is attached as Appendix 1.

8. On October 1, 1997, the Company filed its Motion to Submit Case on Verified Application and Attachments which states that this case is ready for submission.

9. The Staff disagrees that this case is ready for submission.

10. The Commission has articulated the following criteria to evaluate an application for a certificate of convenience and necessity:

- (1) There must be a need for the service;
- (2) The applicant must be qualified to provide the proposed service;
- (3) The applicant must have the financial ability to provide the service;
- (4) The applicant's proposal must be economically feasible; and
- (5) The service must promote the public interest.

Re Tartan Energy Company, 3 Mo. P.S.C. 3d 173, 177 (1994).

11. The feasibility study attached as Exhibit C to the Company's original application projects losses for the first four years' operation of these additional systems. Due to discrepancies and missing information in the Company's Annual Reports, the Staff has concerns about the Company's financial ability.

12. The Staff intends to conduct a thorough on-site audit of the Company's records. Assuming that the Company's records are readily accessible, the Staff expects to complete its audit and to file a recommendation in this case by December 12, 1997. The Staff's recommendation will address each of the five criteria articulated in Re Tartan Energy Company.

WHEREFORE, the Staff requests the Commission to deny the Company's Motion to Submit Case on Verified Application and Attachments.

Respectfully submitted,

*Wm K Haas*

William K. Haas  
Senior Counsel  
Missouri Bar No. 28701

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-7510  
(573) 751-9285 (Fax)

#### CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 14th day of October, 1997.

*Wm K Haas*

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**Service List for Case No. WA-97-110**  
**Revised: October 14, 1997**

**Gregory D. Williams**  
**Highway 5 at Lake Road 5-33**  
**P.O. Box 431**  
**Sunrise Beach, MO 65079**

**Office of the Public Counsel**  
**P.O. Box 7800**  
**Jefferson City, MO 65102**



**Commissioners**  
**SHELLA LUMPE**  
Chair

**HAROLD CRUMPTON**

**CONNIE MURRAY**

**M. DIANNE DRAINER**  
Vice Chair

## Missouri Public Service Commission

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September 19, 1997

**CECIL I. WRIGHT**  
Executive Secretary  
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Director, Utility Operations  
**GORDON L. PERSINGER**  
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**DONNA M. KOLILIS**  
Director, Administration  
**DALE HARDY ROBERTS**  
Chief Administrative Law Judge  
**DANA K. JOYCE**  
General Counsel

Mr. Greg Williams, President  
Osage Water Company  
P.O. Box 431  
Sunrise Beach, MO 65079

RE: Problems with Osage Water Company's Annual Reports

Dear Mr. Williams:

As we discussed on September 15, 1997, I performed a review of Osage Water Company's (Company) 1996, 1995, 1994, 1993 and 1992 annual reports as filed and found a number of items requiring either correction or additional explanation at this time. I do wish to note that I do not consider this review to be exhaustive. Should the Staff identify any additional items in the coming weeks, we will bring those to your attention as well. Identified concerns with the annual reports are listed below:

- Specifically, the 1996 Balance Sheet on pages 4 & 5 was not properly filled out. Commission rules require the use of the preprinted forms or a computer generated replica thereof. In addition, please be mindful of all requests for explanations. I noted that such requested explanations were not always provided each year. Other than such explanations, attachments are allowable only when available space is limited.
- There appears to be no interest currently being accrued and booked to reflect the short term debt owed to affiliated companies. If true, this represents a departure from what would be expected. I usually advise utilities to attach an explanation to avoid questions. Interest expense was calculated and booked for the annual report years 1992 through 1995 on what appears to be the same Notes Payable.

**Greg Williams letter contd.  
September 19, 1997**

- **Page 8, Payments for Services Rendered by Other Than Employees, was not completed. Based on certain attachments included elsewhere, it appears that the Company did actually receive certain services that should be identified here.**
- **On pages 3 and 10 there are references to certain amounts being disputed. As stated above, to avoid further questions I recommend that explanations be attached as needed.**
- **The 1996 Contributions in Aid of Construction (CIAC) on page 9 (\$140,350) does not correlate to the amount reflected in the Company's Balance Sheet (\$175,260). The Company's Balance Sheet reflects an amortization of CIAC in the amount of \$2,141, but no calculation was made on page 9 (\$0) to support the booked amount.**
- **The CIAC beginning balance for 1996 (\$59,000) does not coincide with the ending balance in the Company's 1995 annual report (\$68,000).**
- **The Amortization of CIAC balance reflected in the Company's 1996 Balance Sheet (\$2,141) is lower than the 1995 Amortization of CIAC (\$3,179.72), but the CIAC balance for 1996 (\$140,350) more than doubles the 1995 ending CIAC balance of (\$68,000) indicating that the Amortization of CIAC was not properly calculated for the 1996 Annual Report year. The CIAC and Amortization of CIAC for the annual report years 1992 through 1995 tie out from year to year and appear to be properly calculated.**
- **The 1996 Income Statement on pages W-1, W-2 and W-3 were not completely filled out. Per above, the Company attached a schedule that does not meet the requirements of the form.**
- **The 1996 Income Statement reflects no expense booked for depreciation and amortization of CIAC on its books. The Company has a plant and CIAC balance which indicates that a charge for depreciation and amortization of CIAC should be calculated and charged to expense.**
- **The 1996 total operating revenues on the Company's income statement do not tie to the supporting schedule on page W-2.**
- **The customer levels are not reflected on the Company's annual report page W-2 for the years 1992 through 1994.**

**Greg Williams letter contd.  
September 19, 1997**

- Page W-4 was not properly completed for each year submitted. Even if not all data is available, the Company should submit whatever detail that is possible.
- The Company did not properly fill out their 1996 annual report for plant in service and depreciation reserve reflected on pages W-5 and W-6. The Company used an "Asset Listing Report" that does not provide a beginning balance or a total amount for each account that has plant booked to it. It is impossible to trace back and tie out the beginning balance of 1996 to the ending balance of 1995 plant in service.
- The 1995 beginning balances for plant in service and depreciation reserve on pages W-5 and W-6 do not tie out to the amounts posted at the end of 1994 for plant in service and depreciation reserve. In addition, I noted a large amount for franchises. Although I am aware of the general situation in the lake area, other readers of the annual report may not be. As above, I recommend that a note of explanation be attached to explain all unique situations.
- The 1996 lead schedule (Balance Sheet) for plant in service and depreciation reserve does not tie back to the supporting schedules on W-5 and W-6.
- The 1995 lead schedule (Balance Sheet) for plant in service does not tie back to the supporting schedule on W-5.
- Page W-7 requested information on each well is incomplete for 1996.
- Page W-8 requested information on each storage facility is incomplete for 1996.
- Quantities of mains identified on page W-8 appear to reflect estimates instead of actual pipe lengths in all of the Company's annual reports. It has been the Staff's experience that very seldom are even lengths of pipe routinely installed at each project.

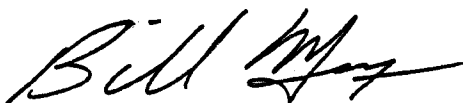
**In summary, the above items suggest that the Company currently has serious record keeping**



Greg Williams letter contd.  
September 19, 1997

problems. A properly completed annual report form is necessary in order to provide accurate and relevant information to the annual report reader. Should you have any additional questions, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Meyer". The signature is fluid and cursive, with a long horizontal stroke at the end.

William A. Meyer, Jr., CPA  
Assistant Manager, Accounting  
(573) 751-5026