

STAFF RECOMMENDATION REGARDING JOINT APPLICATION

APPENDIX A

Case File Memorandum and Attachments

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Official Case File Memorandum

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WO-2005-0086, et al.
Missouri-American Water Company
Osage Water Company
Environmental Utilities, LLC

FROM: Dale Johansen – Project Coordinator
Greg Meyer – Auditing Department
Jim Merciel – Water & Sewer Department
Martin Hummel – Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>11/15/04</u>
Project Coordinator	Date
<u>/s/ Cliff E. Snodgrass</u>	<u>11/15/04</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation Regarding Joint Application

DATE: November 15, 2004

BACKGROUND

On October 5, 2004¹, Missouri-American Water Company (MAWC), Osage Water Company (OWC) and Environmental Utilities, LLC (EU) (collectively the Joint Applicants) filed a *Joint Application and Motion for Expedited Treatement* (Joint Application) seeking authority for MAWC to acquire the water and sewer system assets owned and/or used by OWC and EU to provide water and sewer utility service, and seeking the issuance of certificates of public convenience and necessity to MAWC for the service areas currently served by OWC and EU.

Because the Joint Application pertained to both water and sewer systems, it was entered into the Commission's electronic filing and information system (EFIS) in a manner that would result in the opening of two cases, one with a "water designation" and one with a "sewer designation", and the system opened Case Nos. WO-2005-0086 and SO-2005-0087.

Also on October 5, the Joint Applicants filed a *Motion for Protective Order* and a *Motion to Consolidate*, with both motions being entered into both of the above-referenced cases.

On October 6, the Commission issued its *Order Consolidating Cases, Establishing Protective Order, and Directing Staff Filing* (October 6 Order), in which it consolidated the above-referenced cases, with Case No. WO-2005-0086 designated as the remaining/lead case, issued its standard protective order for the use of the parties, and directed that, no later than October 13, the Staff of the Commission and the Office of the Public Counsel (either jointly or separately) file a recommendation or recommendations as to the entities that should be notified of the proposed transaction and a proposed form of the notice.

¹ Unless noted otherwise, all dates herein refer to the year 2004.

Also on October 6, the Joint Applicants filed the four contracts referenced in the Joint Application as confidential documents under the provisions of the Protective Order, which collectively set out the various terms and conditions regarding the transfer of assets that are the subject of the Joint Application.

On October 13, the Staff filed its response to the Commission's October 6 Order, and subsequently supplemented that response on October 15.

On October 19, the Commission issued its Order Directing Notice, Setting Intervention Deadline, and Directing Staff Recommendation (October 15 Order), in which it directed that notice of the Joint Application be given to certain entities, set November 3 as the date by which requests to intervene or requests for hearing were to be submitted to the Commission and set November 3 as the date by which the Staff was to be filed.

Since the issuance of the Commission's October 15 Order, three entities requested that they be allowed to intervene in this case, with those requests subsequently being granted by the Commission, and the Staff requested two extensions of time to file its recommendation, with those requests also being granted by the Commission.

STAFF'S INVESTIGATION

As noted at the beginning of this memorandum, Staff members from the Auditing and Water & Sewer Departments participated in the Staff's review of the Joint Application. Those Staff participants were afforded the opportunity to review and comment on this Memorandum prior to it being filed. Dale Johansen of the Water & Sewer Department created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein for creation of this final version of the Memorandum.

Items reviewed during the Staff participants' investigation of the Joint Application included the Joint Application itself, the attachments to the Joint Application, the four contracts related to the proposed transactions, information from various activities pertaining to the potential sale of the assets of OWC and EU to MAWC, information from the investigation of OWC's two most recent rate increase requests, and information from the case pertaining to EU's application for a certificate of convenience and necessity. The Staff participants' investigation also included a review of information regarding the status of all three of the Joint Applicants' submission of their Commission annual reports and the payment of their annual Commission assessments.

STAFF'S FINDINGS AND CONCLUSIONS

In order to address the major issues that are pertinent to the Staff's recommendation, this section will be broken into subsections dealing with the following general topics: (1) the appropriateness of the sale prices set forth in the Joint Application; (2) the appropriateness of the distribution of the sale proceeds set forth in the Joint Application; (3) MAWC's request for an increase in the customer rates that OWC and EU currently charge for their utility services; (4) the need for MAWC to be granted certificates of public convenience and necessity (certificates) to serve the

areas currently served by OWC and EU; (5) certain aspects of the contracts regarding the definition of "service lines" and the need for updates to OWC's tariffs that will be adopted by MAWC regarding service lines and connection fees; and (6) the status of the Joint Applicants' submission of their Commission annual reports and the payment of their annual Commission assessments.

The Sale Prices for the Involved Facilities

As is noted in the Joint Application, the total of the sale prices for the facilities currently owned and/or used by OWC for providing service (\$845,795) is a sum of various components, and is intended to reflect an amount that will be included as rate base for MAWC in future rate increase proceedings before the Commission. Likewise, the sale price for the facilities currently owned and used by EU for providing service (\$85,250) is intended to reflect an amount that will be included as rate base for MAWC in future rate increase proceedings before the Commission.

Regarding the amounts set out above, the Staff notes that the amounts are consistent with the Staff's analysis of the "post-sale ratemaking rate base value" for the subject assets, which has been the subject of numerous discussions between the Staff, OWC, EU and MAWC over the last several months.

Attachment 1 to this Memorandum includes a summary of the analysis by which the Staff arrived at its post-sale ratemaking rate base value for the assets owned and/or used by OWC to provide service. This summary shows that the Staff's calculation of the post-sale ratemaking rate base for the assets owned and/or used by OWC is the same as the sale price for those assets that is set out in the Joint Application. However, as is noted in Attachment 1, adjustments to the total amount shown are needed to reflect the effect of accumulated depreciation for certain items. As is also noted in Attachment 1, the total amount shown as the post-sale ratemaking rate base value is dependent on certain debts being paid from the proceeds of the proposed asset sale.

Attachment 2 to this Memorandum includes a summary of the analysis by which the Staff arrived at its post-sale ratemaking rate base value for the assets owned and used by EU to provide service. This summary shows that the Staff's calculation of the post-sale ratemaking rate base for those assets is the same as the sale price for those assets that is set out in the Joint Application. However, as is noted in Attachment 2, adjustments to the ratemaking rate base shown are needed to reflect the effect of accumulated depreciation for certain items.

In summary, with the caveats noted above, the Staff believes that the proposed sale prices for the subject assets set out in the Joint Application properly reflect a ratemaking rate base value that should be applied to any future rate increase requests that MAWC submits after it purchases the subject assets.

The Proposed Distribution of the Sale Proceeds

Attachment 3 to this Memorandum includes a summary of the distribution of the proceeds of the sale of the subject assets, as is set out in the Joint Application. Attachment 4 to this Memorandum includes a summary of the outstanding debts that do, or may, exist with regard to

OWC's past operations and/or the assets owned/used by OWC in providing its water and sewer utility services. As has previously been conveyed to representatives of OWC and MAWC on numerous occasions over the past several months, it is the Staff's position that all of these debts that do in fact exist should be paid from the proceeds of the sale as a condition of the Commission's approval of the Joint Application that is now before the Commission. In fact, payment of many of these debts must occur due to the fact that the satisfaction of the debts is assumed in including the subject items as a part of the Staff's analysis in arriving at the post-sale ratemaking rate base for the assets owned/used by OWC.

With further regard to this matter, Attachment 5 to this Memorandum sets forth the Staff's view of how the proceeds of the sale of the assets owned and/or used by OWC should be distributed, as a condition precedent to the Commission granting the authority requested in the Joint Application. Regarding Attachment 5, it should be noted that adjustments to the entries shown, the deletion of some entries, and possibly the addition of other entries, are subject to the finalization of ascertaining the debts that actually exist and that should be paid as a condition precedent to the Commission's approval of the Joint Application.

MAWC's Request for Rate Increases

While it is true that the rates that OWC and EU currently charge their customers do not reflect the post-sale ratemaking rate base value of the assets that will be transferred to MAWC if the Commission approves the Joint Application, the Staff's current position is that it is not appropriate to consider a rate increase for current customers as a part of this proceeding. The two main reasons for this Staff position are as follows: (1) there is no precedent for considering a rate increase for current customers in the context of an asset transfer case; and (2) while it is clear that certain adjustments to the overall cost of service that is reflected in current rates would be needed once the subject assets are transferred to and operated by MAWC, it is not at all clear what those adjustments should be.

Granting of Certificates of Convenience and Necessity to MAWC

Included as a part of the Joint Application is a request that OWC's and EU's existing certificates be transferred to MAWC. However, the Commission has historically not considered certificates as an asset to be transferred from one utility to another, but rather has cancelled the certificates of the seller and granted new certificates to the purchaser. The Staff believes this approach is proper and should be followed in this instance, and in other future instances as well.

Regarding the criteria that are normally evaluated in the context of certificate application cases, the Staff does not believe it is necessary in this instance to perform such an evaluation of MAWC, since MAWC is a well-known operator that has historically provided a high-level of service and is clearly well-positioned to provide the services that OWC and EU now provide. In fact, it is the Staff's position that MAWC will improve the level of service provided to OWC's and EU's customers, and that it is also clearly much better able to provide extended services in the future.

With further regard to this matter, the Staff notes that OWC has previously been granted certificates to serve areas in which it has never provided service, with all of those certificates having been granted several years ago. For these areas, the Staff's position is that the certificates for such areas are no longer valid and that MAWC should thus not be granted certificates for these areas. Rather, the certificates to be granted to MAWC should only apply to those areas where OWC is currently providing service and for which assets will be transferred to MAWC.

Definition of Service Lines and Related Tariff Provisions

Regarding this matter, the Staff simply wishes to note that it believes conflicts may exist between the definition of service lines set out in the various contracts between the Joint Applicants and OWC's and EU's currently approved tariffs. Additionally, the definitions set out in the contracts may also create confusion regarding the application of certain of the service charges set out in those tariffs. Also, the Staff notes that revisions to the current tariffs are needed to clarify the application of certain of the service charges contained in those tariffs, regardless of whether there are conflicts between the contracts and the tariffs. Lastly, the Staff notes that if there are conflicts between the contracts and the tariffs, then it is the Staff's position that the provisions of the currently approved tariffs are controlling.

Submission of Annual Reports and Payment of Annual Assessment

Regarding EU and MAWC, the Staff notes that both companies are current on the submission of their annual reports and the payment of their annual assessments, as is stated in the Joint Application. Regarding OWC, the Staff notes that OWC is not current on the submission of its annual reports and that it is also not current on the payment of its annual assessments. The Staff does note, however, that the distribution of the sale proceeds set out in the Joint Application contemplates that OWC's past due assessments will be paid upon the closing of the subject transactions taking place. Additionally, one of the Staff's conditions for approval of the Joint Application would ensure that this occurs.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order that authorizes MAWC to purchase the water and sewer utility system facilities currently owned and/or used by OWC and EU, and that grants MAWC the necessary certificates of public convenience and necessity to operate the facilities, but with the order being subject to the following conditions:

- (1) That the ratemaking rate base value of the subject assets, and thus the sale prices to be paid under the various contracts, be updated to reflect the effect of accumulated depreciation that has occurred since the values shown on Attachments 1 & 2 hereto were originally calculated;
- (2) That the distribution of the proceeds from the sale of the subject assets be carried out consistent with the Staff's proposed distribution as set forth in Attachment 5 hereto; and
- (3) That MAWC's request for rate increases to be imposed upon the current customers of OWC and EU be denied.

List of Attachments

- Attachment 1 – Post-Sale Ratemaking Rate Base of OWC Facilities
- Attachment 2 – Post-Sale Ratemaking Rate Base of EU Facilities
- Attachment 3 – Distribution of Sale Proceeds per Joint Application
- Attachment 4 – Summary of Debts re: Facilities Owned/Used by OWC
- Attachment 5 – Staff's Proposed Distribution of Sale Proceeds

Memo Attachment 1

Post-Sale Ratemaking Rate Base of OWC Facilities

**Analysis of Post Sale Ratemaking Rate Base for Facilities Currently
Owned/Used by OWC to Provide Service - Staff Position at 11.12.04**

Current Ratemaking Rate Base		Amount
1	Ratemaking Rate Base - Sewer *	\$ 126,890
2	Ratemaking Rate Base - Water *	\$ 243,775
3	Ratemaking Rate Base - Total	\$ 370,665
(updated thru 2003/2004 rate case - see details page 1 for more info)		
Additions to Ratemaking Rate Base for Sale		Amount
1	Hancock Osage Beach Water Plant *	\$ 201,600
(see details page 1 for more info)		
2	Cedar Glen Sewer & Water Systems *	
3	Future "Rate Baseable" Sewer Plant **	\$ 69,770
4	Future "Rate Baseable" Water Plant	\$ 67,510
5	Total Future "Rate Baseable" Plant	\$ 137,280
(see details page 1 for more info)		
6	Pre-2000 Capitalized Williams Legal Fees	\$ 80,110
(excluding KK service area - split 50/50 for system calculations)		
7	Pre-2000 Capitalized Outside Legal Fees	\$ 11,000
(all related to water systems - minimum estimate)		
8	Pre-2000 Capitalized Outside Consulting Fees	\$ 15,235
(all related to water systems)		
9	KK Service Area Capitalized Williams Legal Fees	\$ 34,295
(split 50/50 for system calculations)		
10	Well Rebuilds - Osage Beach South *	\$ 6,825
(all related to water systems - see details page 2 for more info)		
11	KK Wastewater Treatment Plant *	\$ 13,875
(investment per sewer supply contract - see details page 2 for more info)		
12	Original Rate Base	\$ 4,500
(all related to water systems - see details page 2 for more info)		
13	Capitalized Management Fees	\$ 7,000
(see details page 2 for more info - split 50/50 for system calculations)		
14	Capitalized Engineering Fees *	\$ 33,180
(split 50/50 for system calculations - see details page 2 for more info)		
Ratemaking Rate Base After Sale ***		Amount
1	Water Systems	\$ 627,738
2	Sewer Systems with Cedar Glen	\$ 287,828
3	Sewer Systems without Cedar Glen	\$ 218,058
4	Systems Combined with Cedar Glen Sewer	\$ 915,565
5	Systems Combined without Cedar Glen Sewer	\$ 845,795

* Plant related items that may need to be adjusted for accumulated depreciation.

** This amount will not be included unless the Cedar Glen sewer system is added to the sale, which will not occur unless an issue regarding the ownership of the land upon which the treatment plant is located is resolved.

*** Assumes that any debts related to any of the "additions" listed above will be paid as part of the sale closing activities. See Workbook Titled "Sale to MAWC - Summary of Outstanding Debts - 11.12.04" for more info regarding judgements, liens, facility-related debts and unsecured debts.

Ratemaking Rate Base		
Amounts from 1999/2000 Rate Case *		
1	Sewer Rate Base	124,895
2	Water Rate Base	234,155
3	Combined Rate Base	359,050
* Updated thru 06.30.03 - Details Shown in Workbook Titled "Sale to MAWC - Plant In Service & Rate Base - 10.31.03"		
Additions in 2003/2004 Rate Case Filing		
4	Sewer Systems	1,995
5	Water Systems	9,620
6	Systems Combined	11,615
Total Ratemaking Rate Base		
7	Sewer Systems	126,890
8	Water Systems	243,775
9	Total Combined	370,665
Treatment of "Hancock" Osage Beach Plant		
<u>Assumptions</u>		
1	* Plant placed in service as of 01.01.96	
2	* Original Cost = \$240,000	
3	* Plant depreciated at annual rate of 2%	
4	* Rate Base = Depreciated Plant Value	
5	Beginning Balance	240,000
6	Annual Depreciation	4,800
7	Years In Service	8
8	Total Depreciation	(38,400)
9	Rate Base Value @ 12.31.03	201,600
Cedar Glen System - OWC Investment per Contract		
<u>OWC Contract Obligations</u>		
1	Investment of \$500 per sewer customer and \$500 per water customer up to 208 customers, but with first 64 sewer customers and first 32 water customers not being subject to the reimbursement.	
2	Maximum Obligation - Sewer System	72,000
3	Maximum Obligation - Water System	88,000
4	Total Maximum Obligation for Both Systems	160,000
<u>Plant Already in Staff's Rate Base</u>		
1	Sewer System	2,230
2	Water System	20,490
3	Total for Both	22,720
<u>Future Additional "Rate Baseable" Plant</u>		
1	Sewer System	69,770
2	Water System	67,510
3	Total for Both	137,280
(this plant can be added to rate base when the conditions of the contract are met by both the Company and the Developer)		

Well Rebuilds - Osage Beach South

1	These additions are comprised of the costs of repairing the Shoney's and Pizza Hut wells that were not paid by insurance proceeds. To be included upon payment of the balances that are due. The cost of the temporary water supply related to the Broadwater Bay outage (approx. \$5,000) is not included.	
2	Flynn Drilling - Pizza Hut Well	
3	* Invoice Amount	14,795
4	* Insurance Payment	(11,685)
5	* Balance Due	3,110
6	Flynn Drilling - Shoney's Well	
7	* Invoice Amount	13,660
8	* Insurance Payment	(9,945)
9	* Balance Due	3,715
10	Total Balance Due	6,825

KK Wastewater Treatment Plant

1	Per the Sewer Supply Contract between OWC and the developers of the Golden Glade subdivision, OWC's investment is \$500 per connection with the remaining plant construction costs considered developer contributions. OWC is also responsible for engineering and permitting fees.	
2	Current Number of Connections in Golden Glade	13
3	Connection Payments Due Per Contract	6,500
4	Engineering Fees Paid By Developer	7,375
5	Total Payments Due From OWC To Developer	13,875

Original Rate Base

1	Capital Stock (from WR-89-170)	1,500
2	Property Purchase (from WR-89-170)	3,000
3	Total Original Rate Base	4,500

Capitalized Management Fees

Capitalized Fees from Case No. WF-89-188	7,000
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Capitalized Engineering Fees - Jackson Engineering

1	Fees related to the Harbour Bay service area that were not included in the Staff's 12/31/99 analysis that was used in determining the ratemaking rate base for the 1999/2000 rate case.	
2	Sewer Plant Design (invoice of 08.12.99)	4,410
3	Water Well Design (invoice of 08.12.99)	3,210
4	Construction Supervision (invoice of 12.31.99)	15,000
5	Sewer Line Extension (invoice of 02.01.00)	1,560
6	Construction Supervision (invoice of 08.26.00)	9,000
7	Total Fees to Capitalize - Sewer Systems	17,970
8	Total Fees to Capitalize - Water Systems	15,210
9	Total Fees to Capitalize - Systems Combined	33,180

(construction supervision split 50/50 for system calculations)

Memo Attachment 2

Post-Sale Ratemaking Rate Base of EU Facilities

**Analysis of Post Sale Ratemaking Rate Base for Facilities
Owned by Environmental Utilities - Staff Position at 11.12.04**

	Item	Company Amount per 01/27/04 e-mail	Staff Amount	Notes re: Staff Amounts
1	Organization Expenses	650	650	Company Amount is O.K.
2	Franchises (legal fees)	20,185	14,620	Per Review Conducted 02.03.04 * *
3	Trans. & Distr. Mains	11,140	0	Developer Contribution
4	Meters & Meter Installations	985	985	Needs to be net of depreciation
5	Land & Land Rights	10,000	0	Developer Contribution
6	Pumping Equipment *	15,805	15,805	Needs to be net of depreciation
7	Structures & Improvements *	22,380	22,380	Needs to be net of depreciation
8	Wells & Springs *	30,810	30,810	Needs to be net of depreciation
9	Total Ratemaking Rate Base	111,955	85,250	Needs to be net of depreciation

* Total of Well Related Items 68,995 68,995

* * See workbook titled "Sale to MAWC - Analysis
of E. U. Organization Fees - 02.03.04" for details.

Memo Attachment 3

Distribution of Sale Proceeds per Joint Application

**Sale of Assets Owned/Used by Osage Water Company
Distribution of Proceeds Per Contracts**

	Payee	What For	Amount
1	Various Parties Listed Below	Various Items Listed Below	\$ 385,000
2	Central Bank of Lake of the Ozarks	Lien on Property	
3	Hancock Construction Company	Judgement	
4	Jim Clary Concrete	Lien on Property	
5	City of Osage Beach	Judgement	
6	Jackson Engineering	Lien on Property	
7	Greg Williams	Legal Fees	\$ 200,000
8	Hurricane Deck Holding Company	Chelsea Rose Facilities (Contract D)	\$ 118,345
9	Greg & Debra Williams	KK Area Facilities (Contract C)	\$ 90,225
10	Various Parties Listed Below	Various Items Listed Below	\$ 34,715
11	Flynn Drilling	Well Repairs	
12	Bergmanis & McDuffy	Legal Fees	
13	Hagan & Hamlett	Legal Fees	
14	Gabriel Crane	Water Tank Move	
15	Pat Mitchell	Nothing Listed	
16	Escrow Agent	Closing Costs of Transactions	
17	I.R.S.	Back Taxes	
18	MO PSC and MO DNR	Assessments and Permit Fees	\$ 17,515
19	Total Amount to be Distributed		\$ 845,800

Memo Attachment 4

Summary of Debts re: Facilities Owned/Used By OWC

Assets Owned/Used By Osage Water Company
Summary of Outstanding Debts - 11.12.04

Known Judgements & Liens		What For	Amount (1)	Amount (2)
1	Hancock Construction	Plant Construction & Consulting Fees	\$ 236,000	\$ 235,640
2	Cedar Glen Construction Company	Cedar Glen Water & Sewer Systems	\$ 137,820	\$ 81,500
3	Central Bank of Lake Ozark	Lien on Lot 99, Shawnee Bend 5	\$ 30,000	\$ 19,000
4	Department of Natural Resources	Wastewater Permit Fees	\$ 2,050	\$ 8,500
		Late Payment Penalties	\$ 525	\$ -
		Civil Penalties re: Non-Payment of Fees	\$ 44,500	\$ -
5	Jim Clary Concrete	Plant Construction	\$ 18,000	\$ 10,715
6	Hagen, Hamlett	Legal Fees	\$ 5,000	\$ 3,000
7	City of Osage Beach	Water @ Broadwater Bay	\$ 4,915	\$ 3,700
8	Sub-Total		\$ 478,810	\$ 362,055
Items Related to Facilities Used		What For	Amount (1)	Amount (2)
1	Hurricane Deck Holding Company	Chelsea Rose System Facilities	\$ 118,345 (3)	\$ -
2	Greg & Debra Williams	KK Service Area Facilities	\$ 90,225 (4)	\$ -
3	Flynn Drilling	Well Repairs	\$ 6,825	\$ 7,385
4	Sub-Total		\$ 215,395	\$ 7,385
Known/Identified Unsecured Debts		What For	Amount (1)	Amount (2)
1	Public Service Commission	Past Due Assessments	\$ 16,360	\$ 9,150
2	Gabriel Crane Rental	Water Tank Move	\$ 6,430	\$ 5,710
3	Brent Stewart	1994 O.B. Certificate Case	\$ 4,500	\$ -
4	Bergmanis & McDuffy	Legal Fees	\$ 2,715	\$ 2,715
5	Internal Revenue Service	Back Taxes (estimate)	\$ 50,000	\$ 50,000
6	Sub-Total		\$ 80,005	\$ 67,575
Possible Unsecured Debts		What For	Amount (1)	Amount (2)
1	EP Sales	??????	\$ 5,000	\$ -
2	Lake Steel & Supply	??????	\$ 3,790	\$ -
3	APAC	??????	\$ 2,000	\$ -
4	Twehouse Construction	??????	\$ 760	\$ -
5	Sub-Total		\$ 11,550	\$ -
Total Outstanding Debt			\$ 785,760	\$ 437,015

Notes:

(1) per information previously provided by company representatives or received from other sources
 (does not include amounts related to owners' debts for services rendered but not paid)

(2) per information included in company's bankruptcy filing
 (does not include amounts related to owners debt for services rendered but not paid)

(3) per Contract D payment will be for this amount

(4) per Contract C payment will be for this amount

Memo Attachment 5

Staff's Proposed Distribution of Sale Proceeds

**Sale of Assets Owned/Used By Osage Water Company
Staff's Proposed Distribution of Sale Proceeds - 11.12.04**

	Payee	Amount	What For
1	Hancock Construction	\$ 236,000	Plant Construction & Consulting Fees
2	Cedar Glen Construction Company	\$ 137,280	Cedar Glen Water & Sewer Systems
3	Hurricane Deck Holding Company	\$ 118,345	Chelsea Rose System Facilities
4	Greg & Debra Williams	\$ 90,225	KK Service Area Facilities
5	Internal Revenue Service	\$ 50,000	Back Taxes (estimate)
6	Department of Natural Resources	\$ 47,075	Permit Fees & Late Pay Penalties
7	Central Bank of Lake Ozark	\$ 19,000	Lien on Lot 99, Shawnee Bend 5
8	Public Service Commission	\$ 16,360	Past Due Assessments
9	Jim Clary Concrete	\$ 10,715	Plant Construction
10	Flynn Drilling	\$ 7,385	Well Repairs
11	Gabriel Crane Rental	\$ 5,710	Water Tank Move
12	Hagen, Hamlett	\$ 5,000	Legal Fees
13	City of Osage Beach	\$ 4,915	Water @ Broadwater Bay
14	Brent Stewart	\$ 4,500	1994 O.B. Certificate Case
15	Bergmanis & McDuffy	\$ 2,715	Legal Fees
16	Total Distributions	\$ 755,225	
17	Sale Price with Cedar Glen W & S	\$ 915,565	
18	Available for Distribution to Owners	\$ 160,340	

Distributions to Owners/Affiliates Per Contract "A"

	Payee	Amount	What For
1	Pat Mitchell - Jackson Engineering	\$ 100,000 *	Services Rendered/Not Paid
2	Greg Williams	\$ 200,000 * *	Services Rendered/Not Paid

* Minimum Due Per Contract "A" - Subject to Recorded Lien

* * Due Per Contract "A" - Not Subject to Any Recorded Lien

1	Amount Available for Distribution to Owners	\$ 160,340
2	Less Payment to Jackson Engineering	\$ 100,000
3	Available for Payment to Greg Williams	\$ 60,340