

SUPPLEMENTAL RESPONSE TO ORDER
ADDING PARTY AND DIRECTING FILING

APPENDIX A

Updated Ratemaking Income Statement
and Revenue Annualizations

Summary of Errors in 02/18/05 Rate Analyses

Osage Water Company & Environmental Utilities
Ratemaking Income Statement - Combined COS

	<u>OWC/EU</u> <u>As Filed</u>	<u>OWC/EU</u> <u>Staff</u>	<u>MAWC</u> <u>Staff</u>
Revenue at Current Rates	228,317	\$ 228,212	\$ 236,888
Cost of Service			
Item	Amount	Amount	Amount
1 Salaries - O & M	\$ 27,040	\$ 27,040	\$ 31,200
2 Salaries - Supervision	\$ 36,000	\$ 15,600	\$ -
3 Salaries - Secretary	\$ 16,640	\$ 3,328	\$ -
4 Payroll Taxes	\$ 8,263	\$ 4,149	\$ 2,657
5 Employee Pension & Benefits	\$ -	\$ -	\$ 6,945
6 Transportation Expense	\$ 4,313	\$ 3,220	\$ 4,895
7 Accounting (customer)	\$ 1,960	\$ 1,800	\$ 4,524
8 Legal	\$ -	\$ 1,000	\$ -
9 Insurance	\$ 10,937	\$ 10,937	\$ 2,899
10 Telephone - Operator Cell	\$ -	\$ -	\$ 600
11 Rents & Utilities	\$ 6,000	\$ 3,000	\$ -
12 Water/Effluent Testing	\$ 1,516	\$ 2,830	\$ -
13 Materials & Supplies	\$ 4,630	\$ 4,479	\$ 4,479
14 Electric Expense	\$ 16,368	\$ 15,349	\$ 15,349
15 PSC Assessment	\$ 5,495	\$ 7,207	\$ 7,207
16 DNR Fees	\$ 4,250	\$ 3,950	\$ 3,950
17 Hancock Debenture Payment	\$ -	\$ 12,000	\$ -
18 Sludge Removal	\$ 4,029	\$ 1,628	\$ 2,760
19 Miscellaneous Expense	\$ 6,193	\$ 2,848	\$ 2,600
20 Taxes Other Than Income Taxes	\$ 385	\$ -	\$ -
21 Outside Services/Contracts	\$ -	\$ 850	\$ -
22 Equipment Rental	\$ 2,210	\$ 210	\$ -
23 System Repairs	\$ 11,687	\$ 5,635	\$ 5,635
24 Bank Service Charges	\$ 798	\$ 450	\$ -
25 System Operating Expenses	\$ 2,947	\$ -	\$ -
26 Chemicals	\$ -	\$ -	\$ 1,200
27 Sales Tax (water sales only)	\$ 2,663	\$ -	\$ -
28 Sub-Total	\$ 174,324	\$ 127,510	\$ 96,901
29 Property Tax	\$ -	\$ 122	\$ 10,521
30 Sub-Total	\$ 174,324	\$ 127,632	\$ 107,422
31 Depreciation Expense	\$ 36,052	\$ 19,001	\$ 23,805
32 Sub-Total	\$ 210,376	\$ 146,633	\$ 131,227
33 Long-Term Debt (interest expense)	\$ -	\$ 19,767	\$ 32,219
34 Return on Rate Base (equity)	\$ 100,082	\$ 25,000	\$ 40,748
35 Sub-Total	\$ 310,458	\$ 191,400	\$ 204,194
36 Income Taxes	\$ 24,338	\$ 15,402	\$ 25,105
37 Total Cost of Service	\$ 334,796	\$ 206,802	\$ 229,298
38 Overall Revenue Change Needed	\$ 106,479	\$ (21,410)	\$ (7,590)
39 Percent Revenue Change	46.64%	-9.38%	-3.20%

**Osage Water Company & Environmental Utilities
Annualized Operating Revenues at OWC Rates**

Sewer Rate Revenues

System	Customers	Revenues
KK	35	\$ 10,513
F-12	26	\$ 7,809
SB-5	79	\$ 23,728
Cedar Glen	206	\$ 61,874
TOTALS	346	\$ 103,925

Sewer Legal Fee Revenues

System	Customers	Revenues
KK	35	\$ 420
F-12	26	\$ 312
SB-5	79	\$ 948
Cedar Glen	206	\$ 2,472
TOTALS	346	\$ 4,152

Total Sewer Revenues **\$ 108,077**

Water Rate Revenues

System	Metered Customers	Non-Metered Customers	Total Customers	Mo. Min. Revenue	Commodity Revenue	Total Revenue
Super 8	1	0	1	\$ 184	\$ 4,968	\$ 5,152
F-12	29	0	29	\$ 5,345	\$ 2,928	\$ 8,273
SB-5	14	64	78	\$ 14,377	\$ 5,025	\$ 19,402
OBN	24	0	24	\$ 4,424	\$ 35,175	\$ 39,599
OBS	3	0	3	\$ 553	\$ 812	\$ 1,365
KK	20	15	35	\$ 6,451	\$ 2,585	\$ 9,036
Cedar Glen	165	42	207	\$ 38,154	\$ 3,306	\$ 41,460
TOTALS	256	121	377	\$ 69,489	\$ 54,799	\$ 124,288

Note: Commodity revenues include estimated revenues for non-metered customers.

Water Legal Fee Revenues

System	Customers	Revenues
Super 8	1	\$ 12
F-12	29	\$ 348
SB-5	78	\$ 936
OBN	24	\$ 288
OBS	3	\$ 36
KK	35	\$ 420
Cedar Glen	207	\$ 2,484
TOTALS	377	\$ 4,524

Total Water Revenues **\$ 128,812**

Total Operating Revenues

System	Sewer	Water	Total
Super 8	\$ -	\$ 5,164	\$ 5,164
F-12	\$ 8,121	\$ 8,621	\$ 16,743
SB-5	\$ 24,676	\$ 20,338	\$ 45,015
OBN	\$ -	\$ 39,887	\$ 39,887
OBS	\$ -	\$ 1,401	\$ 1,401
KK	\$ 10,933	\$ 9,456	\$ 20,389
Cedar Glen	\$ 64,346	\$ 43,944	\$ 108,290
TOTALS	\$ 108,077	\$ 128,812	\$ 236,888

**Summary of Errors in the Staff's 02/18/05 Ratemaking
Income Statement & Revenue Annualization Summary**

Case No. WO-2005-0086

The first error, which consisted of an improperly entered formula, resulted in an under-statement of \$362 in the payroll tax calculation for the Staff's analysis of the combined OWC/EU operations.

The second error, which consisted of the entry of a number from an out-of-date work paper, resulted in an under-statement of \$602 in the annualized insurance expense for the Staff's analysis of the combined OWC/EU operations.

The third error, which was a data entry error, resulted in an over-statement of \$60 in the PSC assessment expense for the Staff's analysis of the combined OWC/EU operations and the Staff's analysis of MAWC's potential operation of the combined systems.

The fourth error, which occurred from not having the most up-to-date information, resulted in an over-statement of \$300 in the DNR Fees expense for the Staff's analysis of the combined OWC/EU operations and the Staff's analysis of MAWC's potential operation of the combined systems.

The fifth error, which consisted of the entry of a number from an out-of-date work paper, resulted in an over-statement of \$1,906 in the annual depreciation expenses for the Staff's analysis of the combined OWC/EU operations and the Staff's analysis of MAWC's potential operation of the combined systems. This depreciation expense error also affected the calculation of the 12/31/04 balances for total net plant and depreciable net plant, which in turn affected the calculations of the following items: (1) MAWC's potential property taxes; and (2) the long-term debt interest, return on equity and income taxes for both the OWC/EU combined operations and MAWC's potential operation of the combined systems.

The sixth error, which consisted of an improperly entered formula, resulted in an under-statement of \$122 in the third Sub-Total figure for the Staff's analysis of the combined OWC/EU operations.

SUPPLEMENTAL RESPONSE TO ORDER
ADDING PARTY AND DIRECTING FILING

APPENDIX B

Explanations of Ratemaking Income
Statement and Revenue Annualizations

**Explanation of Staff's Ratemaking Income
Statement & Revenue Annualization Summary**

Case No. WO-2005-0086

General Items

Column titled OWC/EU As Filed: The entries in this column are the same as the entries included in the filing made by OWC & EU on 02/02/05.

Column titled OWC/EU Staff: The entries in this column consist of the results of the Staff's evaluation of the cost-of-service information that OWC & EU provided, and reflect the Staff's position as if a small company rate increase request was pending for the combined operation of the companies' systems. Additionally, certain entries in this column reflect the Staff's updated calculation of OWC's and EU's ratemaking rate base that exists as of 12/31/04.*

Column titled MAWC Staff: The entries in this column consist of the results of the Staff's evaluation of certain cost-of-service estimates that MAWC provided in response to Staff and OPC data requests, and the Staff's estimation of certain items that MAWC did not specifically address in its cost-of-service estimates. The entries in this column represent an estimation of the revenues and expenses that would exist on "Day 1" of MAWC's ownership and operation of the combined OWC & EU systems. Additionally, certain entries in this column reflect the Staff's updated calculation of the ratemaking rate base that would exist if MAWC purchases the assets currently owned/leased/used by OWC & EU, with the calculation updated as of 12/31/04.* (This updated ratemaking rate base would also be the sale price to be paid by MAWC under the provisions of the Joint Application and Contracts A & B.)

Cost of Service Items

The Excel worksheets following this page include explanations for the entries for each Staff analysis. Those worksheets also include explanations of the revenue entries, in addition to the explanations provided below.

Annualized Operating Revenues

Sewer Rate Revenues: Current flat rate less \$1/month x number of customers at 12/31/04.

Sewer Legal Fee Revenues: Flat "rate" of \$1/month x number of customers at 12/31/04. (This "rate" was agreed upon in a prior case as an alternative to including some portion of Greg Williams' unpaid legal fees in the calculation of OWC's ratemaking rate base.)

Water Rate Revenues: Current monthly minimum rate less \$1/month x number of customers at 12/31/04 plus the current commodity rate x the commodity gallons sold, except for the Osage Beach North (OBN) service area and the service areas with non-metered customers. For the OBN service area the rate revenues used are booked revenues rather than commodity gallons sold x the commodity rate. This was necessary due to significant discrepancies in the gallons shown as sold vs. the gallons shown as pumped. For the service areas with non-metered customers the commodity revenues shown include imputed revenues for the non-metered customers based on the average usage of the metered customers in those systems. This approach was taken since all customers are supposed to be metered.

Water Legal Fee Revenues: Flat "rate" of \$1/month x number of customers at 12/31/04. (This "rate" was agreed upon in a prior case as an alternative to including some portion of Greg Williams' unpaid legal fees in the calculation of OWC's ratemaking rate base.)

* The Staff is preparing and will file, on or before March 4, a detailed reconciliation document showing how it arrived at these updated ratemaking rate base values, which are shown in certain entries in the explanation column of the following Excel worksheets.

**Explanation of Staff's Ratemaking Income Statement
for the Operation of the OWC & EU Systems Combined**

(Test Year for Analysis is 12 Months Ended 12/31/04)

Explanation of Entries

Annual Revenues at Current Rates		\$ 228,212	sewer rate revenues + water rate revenues (12/31/04 customer numbers - does not include "legal fee revenues" since capitalized legal fees of Greg Williams are not included in rate base)
Cost of Service			
	Item	Amount	
1	Salaries - O & M	\$ 27,040	2,080 hours (full time position) at \$13/hour
2	Salaries - Supervision	\$ 15,600	1,040 hours (half-time position) at \$15/hour
3	Salaries - Secretary	\$ 3,328	416 hours (one day per week) at \$8/hour
4	Payroll Taxes	\$ 4,149	Soc. Sec. + Medicare + F.U.T.A. + S.U.T.A. (EU rates for CY2005) (F.U.T.A. & S.U.T.A. applied to applicable salary limits)
5	Employee Pension & Benefits	\$ -	none paid
6	Transportation Expense	\$ 3,220	annualized for test year
7	Accounting (customer)	\$ 1,800	\$150/month
8	Legal	\$ 1,000	estimate for miscellaneous services
9	Insurance	\$ 10,937	annualized for test year
10	Telephone - Operator Cell	\$ -	included in miscellaneous expense
11	Rents & Utilities	\$ 3,000	\$250/month
12	Water/Effluent Testing	\$ 2,830	annualized for test year
13	Materials & Supplies	\$ 4,479	annualized for test year
14	Electric Expense	\$ 15,349	annualized for test year
15	PSC Assessment	\$ 7,207	FY2005 amounts assessed
16	DNR Fees	\$ 3,950	current annual amount assessed (per DNR)
17	Hancock Debenture Payment	\$ 12,000	\$1,000/month payment per terms of debenture (payment included as expense since related plant is not included in rate base)
18	Sludge Removal	\$ 1,628	annualized for test year
19	Miscellaneous Expense	\$ 2,848	annualized for test year (includes telephones, office supplies and postage)
20	Taxes Other Than Income Taxes	\$ -	none paid
21	Outside Services/Contracts	\$ 850	annualized for test year
22	Equipment Rental	\$ 210	annualized for test year excluding rental from owner
23	System Repairs	\$ 5,635	annualized for test year
24	Bank Service Charges	\$ 450	annualized for test year adjusted for overdraft/special charges
25	System Operating Expenses	\$ -	included in other similar items
26	Chemicals	\$ -	none used in test year
27	Sales Tax (water sales only)	\$ -	not applicable
28	Sub-Total	\$ 127,510	
29	Property Tax	\$ 122	actual paid for prior year
30	Sub-Total	\$ 127,632	
31	Depreciation Expense	\$ 19,001	annual expense for net depreciable plant balances of \$557,220
32	Sub-Total	\$ 146,633	
33	Long-Term Debt (interest expense)	\$ 19,767	based on MAWC's ISRS weighted cost of debt applied to total net rate base of \$581,390 *
34	Return on Rate Base (equity)	\$ 25,000	based on MAWC's ISRS weighted cost of equity applied to total net rate base of \$581,390 *
35	Sub-Total	\$ 191,400	
36	Income Taxes	\$ 15,402	based on MAWC's composite income tax rate applied to total net rate base of \$581,390 *
37	Total Cost of Service	\$ 206,802	
38	Overall Revenue Change Needed	\$ (21,410)	difference between total cost of service and annual revenues
39	Percent Revenue Change	-9.38%	

* ISRS weighted cost of capital and composite income tax rate established in Case No. WR-2003-0500

**Explanation of Staff's Ratemaking Income Statement
for MAWC's Day 1 Operation of the OWC & EU Systems**

(Test Year for Analysis is 12 Months Ended 12/31/04)

Annual Revenue at Current Rates		\$ 236,888	Explanation of Entries
Cost of Service			
	Item	Amount	
1	Salaries - O & M	\$ 31,200	2,080 hours (full-time position) at \$15/hour
2	Salaries - Supervision	\$ -	to be handled from Jeff City office - no incremental increase
3	Salaries - Secretary	\$ -	to be handled from Jeff City office - no incremental increase
4	Payroll Taxes	\$ 2,657	Soc. Sec. + Medicare + F.U.T.A. + S.U.T.A. (EU rates for CY2005) (F.U.T.A. & S.U.T.A. applied to applicable salary limits)
5	Employee Pension & Benefits	\$ 6,945	overhead of 22.26% as provided by MAWC
6	Transportation Expense	\$ 4,895	50 miles/day for 5 days/week at \$0.295/mile plus 5 days/week bridge crossing fees
7	Accounting (customer)	\$ 4,524	\$1/customer/month
8	Legal	\$ -	to be handled by corporate office - no incremental increase
9	Insurance	\$ 2,899	based on average cost per customer as provided by MAWC
10	Telephone - Operator Cell	\$ 600	\$50/month
11	Rents & Utilities	\$ -	not applicable
12	Water/Effluent Testing	\$ -	no incremental increase - covered by established allocations
13	Materials & Supplies	\$ 4,479	same as allowed for OWC/EU (test year annualized)
14	Electric Expense	\$ 15,349	same as allowed for OWC/EU (test year annualized)
15	PSC Assessment	\$ 7,207	same as allowed for OWC/EU (FY2005 assessments)
16	DNR Fees	\$ 3,950	same as allowed for OWC/EU (current annual amount)
17	Hancock Debenture Payment	\$ -	not applicable since related plant is included in rate base
18	Sludge Removal	\$ 2,760	estimate provided by MAWC
19	Miscellaneous Expense	\$ 2,600	estimate provided by MAWC
20	Taxes Other Than Income Taxes	\$ -	not applicable
21	Outside Services/Contracts	\$ -	not applicable
22	Equipment Rental	\$ -	not applicable
23	System Repairs	\$ 5,635	same as allowed for OWC/EU
24	Bank Service Charges	\$ -	not applicable
25	System Operating Expenses	\$ -	included in other items (same as for OWC/EU)
26	Chemicals	\$ 1,200	estimate provided by MAWC
27	Sales Tax (water sales only)	\$ -	not applicable
28	Sub-Total	\$ 96,901	
29	Property Tax	\$ 10,521	based on applicable assessed valuation % and tax rate supplied by county applied to net depreciable plant balances of \$782,815
30	Sub-Total	\$ 107,422	
31	Depreciation Expense	\$ 23,805	annual expense for net depreciable plant balances of \$782,815
32	Sub-Total	\$ 131,227	
33	Long-Term Debt (interest expense)	\$ 32,219	based on MAWC's ISRS weighted cost of debt applied to total net rate base of \$947,625 *
34	Return on Rate Base (equity)	\$ 40,748	based on MAWC's ISRS weighted cost of equity applied to total net rate base of \$947,625 *
35	Sub-Total	\$ 204,194	
36	Income Taxes	\$ 25,105	based on MAWC's composite income tax rate applied applied to total net rate base of \$947,625 *
37	Total Cost of Service	\$ 229,298	
38	Overall Revenue Change Needed	\$ (7,590)	difference between total cost of service and annual revenues
39	Percent Revenue Change	-3.20%	

* ISRS weighted cost of capital and composite income tax rate established in Case No. WR-2003-0500