

Exhibit No.: _____

Issue(s): Customer Complaints/
Poor Management Decisions/
Commingling of Regulated and
Non-Regulated Businesses

Witness // Type of Exhibit: Bolin/Surrebuttal

Sponsoring Party: Public Counsel

Case No.: WC-2002-155

(Consolidated with SC-2002-160)

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

Submitted on Behalf of the Office of the Public Counsel

OFFICE OF THE PUBLIC COUNSEL

v.

**WARREN COUNTY WATER AND SEWER COMPANY
AND GARY L. SMITH**

**Case No. WC-2002-155
(Consolidated with SC-2002-160)**

April 24, 2002

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

Office of the Public Counsel,)
Complainant,)
v.)
Warren County Water and Sewer)
Company and Gary L. Smith,)
Respondents.)

Case No. WC-2002-155
(Consolidated with SC-2002-160)

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

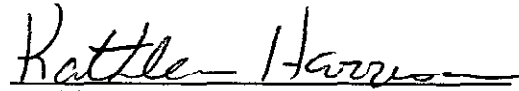
Kimberly K. Bolin, of lawful age and being first duly sworn, deposes and states:

1. My name is Kimberly K. Bolin. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached, hereto and made a part hereof for all purposes, is my surrebuttal testimony consisting of pages 1 through 10 and Schedules KKB-13 through KKB-20.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Kimberly K. Bolin

Subscribed and sworn to me this 24th day of April, 2002.

KATHLEEN HARRISON
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan. 31, 2006


Kathleen Harrison, Notary Public

My Commission expires January 31, 2006.

**SURREBUTTAL TESTIMONY
OF
KIMBERLY K. BOLIN**

**OFFICE OF THE PUBLIC COUNSEL
V.
WARREN COUNTY WATER AND SEWER
GARY L. SMITH**

CASE NO. WC-2002-155

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2 A. Kimberly Bolin, P.O. Box 7800, Jefferson City, Missouri 65102.

3 Q. ARE YOU THE SAME KIMBERLY K. BOLIN WHO FILED DIRECT AND
4 SUPPEMENTAL DIRECT TESTIMONY IN THIS CASE?

5 A. Yes.

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Warren County
8 Water and Sewer's (Company) witness Gary L. Smith.

9 Q. IN MR. SMITH'S REBUTTAL TESTIMONY, HE DISMISSES THE COMPANY'S
10 CUSTOMER'S COMPLAINTS GIVEN IN TESTIMONY AT THE LOCAL PRE-
11 HEARING AS BASELESS. PRIOR TO THIS COMPLAINT CASE AND THE
12 LAST RATE INCREASE REQUEST, HAS THE OFFICE OF THE PUBLIC
13 COUNSEL (PUBLIC COUNSEL OR OPC) RECEIVED LETTERS FROM
14 CUSTOMERS REGARDING THEIR COMPLAINTS CONCERNING POOR SERVICE
15 AND THE QUALITY OF THE WATER?

1 A. Yes, Public Counsel has received numerous complaints over the years regarding this Company. For
2 example, in 1999, Public Counsel received a letter from a customer who lives in Incline Village
3 expressing concern with the ongoing problems he and other had been experiencing for several
4 years. This letter is attached to my testimony as Schedule KKB-13. Also, when the Company filed
5 for a rate increase in 1997, Public Counsel received several customer letters regarding poor water
6 quality and poor service. The following is a list of complaints voiced by the customers of Warren
7 County Water and Sewer:

8 Water has a bad color and/or odor (15 complaints)

9 Has no or little water pressure (6 complains)

10 Sewer smells (1 complaint)

11 Mr. Smith never reads meter only estimates usage (5 complaints)

12 Water stains household fixtures (7 complaints)

13 Mr. Smith does not flush the water lines (4 complaints)

14 Attached to my testimony as Schedule KKB-14 are copies of the letters our office received when
15 the Company asked for a rate increase in 1997.

16 Q. ON PAGE 12 OF MR. SMITH'S TESTIMONY, MR. SMITH CLAIMS THAT
17 PRIVATE CONTRACTORS DO NOT WANT TO PERFORM HOOKUPS IN THE
18 COMPANY'S SERVICE TERRITORY BECAUSE OF ROCK AND OTHER
19 CONSTRUCTION DIFFICULTIES. IN THE PAST HAS MR. SMITH BARRED
20 CERTAIN CONTRACTORS FROM BEING ALLOWED TO INSTALL SERVICE TO
21 THE SYSTEM?

1 A. Yes, Attached to my testimony as Schedule KKB-15 is a letter from a customer of Warren County
2 Water and Sewer. The customer had received a letter from Mr. Smith, the owner of Warren County
3 Water and Sewer, stating the Company was no longer allowing Turpin Trenching to install new
4 service. At the local public hearing, several customers voiced complaints that other contractors
5 were advised by Mr. Smith that they would have to use his company to install the sewer and water
6 mains.

7 Q. ON PAGE 19 OF MR. SMITH REBUTTAL TESTIMONY, MR. SMITH CLAIMS
8 HE HAS ONLY HIT THREE SERVICE LINES IN ABOUT TWO YEARS AND
9 THAT THE ELECTRIC AND PHONE COMPANIES HAVE HIT MAYBE ONE LINE
10 IN THAT TIME PERIOD. HAS MR. SMITH CAUSED ANY DAMAGE TO
11 CUIVRE RIVER ELECTRIC COOPERATIVE'S EQUIPMENT?

12 A. Yes, page 7 of my attached schedule KKB-13, shows, that Mr. Smith was billed for damaged
13 caused to two transformers and underground primary and secondary wires in March 1999. Public
14 Counsel does not know for sure whether these incidents were included in Mr. Smith's calculation.

15 Q. DOES THE MISSOURI PUBLIC SERVICE COMMISSION (MPSC OR
16 COMMISSION) HAVE A PROCEDURE FOR SMALL UTILITY COMPANIES TO
17 SEEK A RATE CHANGE WITHOUT INCURRING THE EXPENSE OF A FORMAL
18 RATE CASE?

19 A. Yes. Commission Rule 4 CSR 240-2.200 provides a procedure for small companies to request a
20 rate increase which is much less time consuming and less expensive than filing a formal rate
21 increase case.

1 Q. MR. SMITH STATES ON PAGE 4 OF HIS REBUTTAL TESTIMONY THAT THE
2 UTILITY WAS LOSING BETWEEN \$10,000 AND \$30,000 ANNUALLY. HAS
3 THE COMPANY FILED ANY APPLICATIONS FOR A RATE CHANGE UNDER
4 THE COMMISSIONS SMALL COMPANY INFORMAL RATE PROCEEDING?

5 A. Yes. The Company most recently applied for rate increases under this procedure in 1999 and in
6 2001.

7 Q. WHAT WAS THE MISSOURI PUBLIC SERVICE COMMISSION STAFF'S
8 (STAFF) RECOMMENDATION IN THE 1999 CASE?

9 A. The Staff found the sewer operations needed an increase of \$7,611, but the water operations were
10 overearning by \$16,487 annually.

11 Q. WHAT WAS THE RESULT OF THE 1999 CASE?

12 A. Mr. Smith withdrew his request for a rate increase.

13 Q. PRIOR TO THE FILING OF 1999 RATE CASE, HAD THE COMMISSION
14 APPROVED MR. SMITH'S REQUEST FOR PERMISSION TO PURCHASE AND
15 INSTALL A WATER STORAGE TANK TO IMPROVE PROBLEMS WITH THE
16 WATER SYSTEM?

17 A. Yes. As Jim Merceil stated in his rebuttal testimony, the Company recognized the need for a new
18 storage tank as early as 1996. Merceil testified in favor of that proposal, in Case No. WA-96-449.
19 That case eventually resulted in a stipulation and agreement in which the Staff, Public Counsel, the
20 Company and the Board of Trustees for Incline Village agreed, among other things, that the storage

1 tank was necessary and the Company should be allowed to obtain financing pursuant to its request
2 in Case No. WR-97-271. The stipulation and agreement are contained at pages 89-94 in Schedule
3 KKB-5 attached to my direct testimony. The Commission order adopting the stipulation and
4 agreement is also contained in Schedule KKB-5 at pages 79-83.

5 **Q. WAS THE STAFF AWARE OF THE COMPANY'S NEED FOR A NEW STORAGE**
6 **TANK DURING 1999 INFORMAL RATE PROCEEDING?**

7 A. Yes, in fact the created a sample revenue requirement which included the estimated costs of the new
8 elevated storage tank. The sample indicated that when the new storage tank was placed into service,
9 the Company would be eligible for an annual increase of \$12,047 for its water operations. The Staff
10 stated it would recommend extending the rate case investigation beyond the 150 day time line, in
11 order to provide the Company sufficient time to install the water tank. The Staff stated it would then
12 perform an update (true-up) of its rate review as soon as the tank was operational. The Staff
13 informed the Company in August 1999, that, after the true-up, "absent any material changes in
14 operations or costs to the plant, the Staff would recommend the resulting increase in rates be
15 implemented." (See attached Schedule KKB-16)

16 **Q. DID THE COMPANY FOLLOW STAFF'S RECOMMENDATION TO EXTEND THIS**
17 **INFORMAL RATE INCREASE CASE UNTIL THE NEW STORAGE TANK WAS**
18 **BUILT?**

19 A. No. Sometime between December 17, 1999 and December 20, 1999, Mr. Smith decided to
20 withdraw his rate increase case. On December 17, 1999 he sent a fax to Jim Merceil, (attached as
21 Schedule KKB-17) stating the water tank loan was approved and he was preparing a construction

1 schedule and loan details and that construction in January was likely. However, on December 20,
2 1999, the Missouri Public Service Commission's Record Department received a fax from Mr. Smith
3 stating he was withdrawing his informal rate increase case (See Schedule KKB-18). Public Counsel
4 is concerned that, in the same fax transmission, Mr. Smith stated his intention that "all customers
5 outside Incline" would be served by the Company "on a non-regulated basis." Public Counsel
6 believes that this statement demonstrates a disregard for the Commission's legal obligation to
7 oversee the operations of regulated utility companies. The Company does serve customers outside
8 Incline Village, but those customers are within the certificated service territory. Public Counsel
9 believes that all utility service provided by Warren County Water and Sewer to customers is
10 regulated utility service.

11 **Q. ON PAGE 9 OF MR. SMITH'S REBUTTAL TESTIMONY HE CLAIMS THAT**
12 **UTILTIY AND NON-UTILITY WORK WAS BILLED SEPARATELY AND**
13 **EXPENSES WERE ACCOUNTED FOR SEPARATELY. WHAT WERE STAFF'S**
14 **FINDINGS REGARDING THE COMMINGLING OF RECORDS DURING THE**
15 **COMPANY LATEST INFORMAL RATE INCREASE CASE?**

16 **A.** The Staff found the records of Warren County Water and Sewer were commingled with the records
17 of Gary Smith and Associates, LTD. This made the auditing of the Company difficult if not
18 impossible. The Staff was unable to track and reconcile the Company's expenditures during its
19 most recent audit of the Company. (See attached Schedule KKB-19)

1 Q. WHY DOES PUBLIC COUNSEL HAVE CONCERNS REGARDING THE
2 COMMINGLING OF THE REGULATED UTILITY'S RECORDS WITH THE
3 RECORDS OF MR. SMITH'S UNREGULATED COMPANY, GARY SMITH AND
4 ASSOCIATES, LTD.?

5 A. Public Counsel is concerned about commingling of financial records because, as Mr. Smith stated at
6 page 9 of his rebuttal testimony, Mr. Smith attempted to merge the regulated utility company with
7 the non-regulated company. Missouri law requires that a regulated utility obtain commission
8 approval before it merges with another company. Section 393.190 RSMo, provides that "every
9 sales, assignment, lease, transfer, mortgage, disposition, encumbrance, merger or consolidation
10 made other than in accordance with the order of the commission authorizing same is void."
11 (Emphasis added by OPC) However, Mr. Smith did not seek Commission approval for this
12 merger.

13 Q. DOES PUBLIC COUNSEL BELIEVE THAT MR. SMITH KNEW HE WAS
14 REQUIRED TO OBTAIN COMMISSION APPROVAL FOR THE MERGER OF THE
15 REGULATED UTILITY COMPANY WITH HIS UNREGUALTED COMPANY?

16 A. Yes. Public Counsel has several reasons for believing that Mr. Smith knew he was required to
17 obtain Commission approval for this merger. When Mr. Smith purchased this company (then
18 known as Incline Village Water and Sewer Co.) he filed an application with the Commission
19 pursuant to Section 393.190 in Case No. WM-93-109. The Commission's order approving the sale
20 of the Company to Mr. Smith can be found in my direct testimony in Schedule KKB-5 at pages 67 -
21 75. When Mr. Smith decided to incorporate the Company and change the name from Gary Smith

1 d/b/a Incline Village Water and Sewer Co. to Warren County Water and Sewer Company, he filed
2 an application pursuant to Section 393.190, in Case No. WA-96-449. As noted previously, the
3 Commission's Order in that case is also in Schedule KKB-5 at pages 79-83. Therefore, it appears
4 that the Company is aware to the requirement of obtaining Commission approval before transferring
5 the assets of the Company by sale or merger, but chose to disregard this legal requirement.

6 **Q. YOU PREVIOUSLY INDICATED THAT THE COMPANY REQUESTED A RATE**
7 **INCREASE IN 2001. PLEASE DESCRIBE THIS RATE REQUEST FOR THE**
8 **COMMISSION.**

9 **A.** In a letter dated June 28, 2001, Mr. Smith applied for a rate increase pursuant to the small company
10 rate increase procedure provided for in 4 CSR 240-2.200. A copy of that letter is attached to my
11 surrebuttal testimony as KKB-20. At that time, the Company requested that its sewer rates be
12 increased by \$25,000 per year, and that its water rates be increased by \$5,000 per year. In addition,
13 the Company requested an "emergency" increase in sewer connection fees from \$150 to \$700. The
14 Company also requested an increase in its water connection charges from \$300 to \$950. In the
15 letter, the Company sought pre-approval from the Commission to increase its water rates by
16 \$31,250 pending the proposed installation of the long-promised water storage tank. The Company
17 proposed that the Commission order that the pre-approved increase take effect "on the 1st of the
18 month following said tank being placed in service." (See Schedule KKB-20, page 3)

1 Q. WHAT WAS STAFF'S RECOMMENDATION IN THIS INFORMAL RATE
2 PROCEEDING?

3 A. The Staff found the Company's sewer operations were under-collecting revenues of \$6,782
4 annually, while the water operations were over-collecting revenues of \$30,057 annually. Further,
5 the Staff found numerous issues with the manner regarding the management and operation of the
6 Company, which are discussed in Schedule KKB-19. These concerns include issues of record-
7 keeping, problems paying taxes and assessments, billing problems, and inadequacy of the service
8 the Company was providing its customers. Therefore, the Staff determined that it would not be able
9 to recommend any increase in rates at this time.

10 Q. SINCE THE PUBLIC HEARING HAS PUBLIC COUNSEL RECEIVED ANY
11 FURTHER COMPLAINTS REGARDING WARREN COUNTY WATER AND SEWER
12 COMPANY'S WATER QUALITY?

13 A. Yes, our office has received several phone calls since the public hearing regarding complaints of the
14 water having a "sewer smell" and, a few days later, complaints of the water having a strong chlorine
15 content. Some consumer's have complained of bleached clothes and the water smelling like an
16 inside swimming pool (high chlorine).

17 Q. IS PUBLIC COUNSEL RECOMMENDING THAT THE OPERATIONS OF WARREN
18 COUNTY WATER AND SEWER COMPANY BE CONVERTED TO A NON-
19 REGULATED UTILITY CONTROLLED BY THE INCLINE VILLAGE
20 HOMEOWNER'S ASSOCIATION OR BOARD OF TRUSTEES?

1 A. No. Public Counsel believes that Warren County Water and Sewer Company should remain a
2 regulated utility company, subject to the jurisdiction of the Commission. We do, however, believe
3 that this Company should be placed under the control of a receiver, pursuant to Section 393.145
4 RSMo. One possible receiver we believe the Commission could consider is the Board of Trustees
5 of Incline Village. However, any receiver, even the Board of Trustees, would be obligated to
6 operate the Company as a regulated utility. Further, any receiver which is appointed, would be
7 obligated to run the entire company, and could not pick and choose which parts of the service
8 territory it would continue to serve.

9 **Q. HAS THE COMPANY PROVIDED PUBLIC COUNSEL WITH RESPONSES TO ALL**
10 **OF THE OUTSTANDING DATA REQUESTS?**

11 A. No. Public Counsel has not received responses to several data requests that were faxed and/or
12 hand-delivered to the Company's counsel before April 2, 2002.

13 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

14 A. Yes.



November 5, 1999

MISSOURI PUBLIC SERVICE COMMISSION
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO. 65102

FILE COPY

Attn: SHANNON COOK
JOHN COFFMAN

Dear Shannon and John,

Over the past few years, the customers of Gary Smith and his water company have had their fair share of problems to deal with. No matter if the problems have been in the quality or the service, either direct or indirect, it seems that we have no recourse, or way to escape, from the problems that we face on an every day basis. I have heard it said time and again that because Gary Smith is a monopoly and has no competition, he need not provide any better service or quality in order to stay in business. I now believe these statements. As long as he continues to have guaranteed money coming in from the water and sewer bills that we pay, (and we better pay them or he threatens to disconnect our service) then he has no incentive to improve his system or his service. I am now of the opinion that Gary Smith will just continue to go on and on, doing what every he pleases, no matter what his customers have to say about the matter.

In the following paragraphs, I will attempt to put in writing all the things that I know and can tell you about this man and his company. Please understand, I am not writing these things because I have a vendetta against Gary Smith or his company, I just want you to know exactly what we struggle with here every day. If any of what I have to say helps us, the customers of Warren County Water and Sewer, to one day get better service and better quality of water, then maybe all of the hundreds, if not thousands of hours that have been spent working up to this moment has been well spent.

In February of 1997, Gary Smith (Incline Village Water & Sewer Company) applied for a rate increase that would nearly double our water rates. When a large portion of his customers got together one evening shortly after we received notice of this increase, we the customers decided that we would in no way support this increase because of the awful service and quality of water. From the day that that meeting was held, Gary Smith has held a grudge against us. He got an attorney involved, Mr. Thomas Burkemper, and began to use legal action to get what he wanted, at any cost. He purchased an adjoining Incline Village lot (#393) that abutted his existing lot that

housed the current water tower. Purchasing this lot was not a problem, but then he went and used the legal system to get these lots condemned, so that he could build this new water tower and bring adequate water, and water pressure, to his existing customers, and new customers in a bigger service area. The commission and courts agreed that this condemnation was necessary, but now I look at the situation and wonder.... Maybe the lots should be uncondemned because Gary hasn't followed thru with the new tower. As it stands, he now has property that he uses for his own side jobs and his own benefit, at the expense of Incline Village.

Almost at the very moment that Gary Smith received conditional permission from the PSC to expand his territory, things started changing for the worse. Immediately, he began developing a subdivision in Lincoln County which he now calls Brandi Lynn Estates. He ran all the water lines in this development and installed nice new fire hydrants along all the streets. We would have liked it if Gary Smith would have taken the time to attempt to make all of our hydrants in Incline Village operational and nice looking like those. (It is no secret to anyone that a portion of our fire hydrants have so little pressure that fighting a fire is the last thing that you would consider doing with them.)

Once Gary Smith received his permission to conditionally expand, he quickly purchased a new truck and a Backhoe. On the surface, there is nothing wrong with someone purchasing vehicles and equipment for their company, but doing this instead of spending money to improve the existing system seems wrong. You see, he quickly realized that because of the substantial growth in Incline Village and the surrounding areas, he could make a lot of extra money by doing the trenching and hook-ups for new water and sewer lines. Unfortunately, all this extra work that he basically has a monopoly on has cost us a lot of money and head aches. Every time that Gary Smith, or his employees, trench in Incline Village, a mess is left over for us to clean up. Gary Smith has said the following words on more than one occasion:

"I own a 50' wide easement that encompasses every road in Incline Village. I can trench any where that I want, how ever I want, and no one can tell me otherwise."

Although Gary Smith has been told on more than one occasion that he cannot just trench across the streets in Incline Village, destroying what ever is in his way, back filling the trenches with the same dirt that came out of the trenches, and leaving the mess for us to clean up, he continues to do this day after day. It has gotten so bad that we finally amended our Indentures and Construction Guidelines. On September 19, 1999, the property owners of Incline Village unanimously passed this amendment that requires any person, company, or utility company to first get a permit to trench across a street and provide adequate notice of this work so that we can put an inspector at the sight to see that the work gets done according to our specifications. Gary Smith, a property owner of Incline Village, was at this meeting, complaining about the new amendment, listening to all the discussion, and witnessed the vote and passing of the amendment. Two days after the meeting, he and every other local utility company was sent a letter explaining the new rules. Both GTE and Cuivre River Electric called me within days to make sure they understood the new rules and to inform me that they would also put up a \$5,000 performance bond to make us feel comfortable about their trenching and/or boring across streets. Unbelievably, on the morning of October 11, 1999, Gary Smith and his employees, without a permit or any notice, trenched into a brand new street that was newly paved just two weeks prior. I visited the site within ours that I was told about it. The surface hole in the street was about 100 sq. feet in size, and about six feet deep. While trenching, the bucket on the front of the backhoe severely chipped and scared the surface of the street. At about 4:00 that afternoon, Gary Smith and his employees pushed the dirt right back into the hole, and put about eight to ten inches of powdery gravel on top. We can testify to this because neighbors next to this sight watched it happen. This trench will do the same thing that all his trenches do every time it rains. They will sink, and then for months, if not years, we, his customers,

are forced to drive thru these holes until we get tired of it and pay to have them paved over. Unfortunately, Gary Smith does not think like you and I. He does just enough to patch it up in order to collect his \$1,200 to \$1,500 from the property owner, and then he is gone. On the sides of the streets, where the trench went thru, he leaves large mounds of soil and debris piled up. The only way to get him to remove them is to confront him, get into an argument about it, and then maybe, in a few days or weeks, he or his employees show up and smooth it out, but never reseeding or repairing it 100%.

You may ask why people continue to hire Gary Smith and his company to do this trenching and to hookup their water and sewer lines. The answer is simple. He owns the water and sewer company. When you build a house, you have to go to his home to pay him the \$450 tap on fees and fill out his contract. At that moment, he tells people that he can take care of their needs cheaper than the average company, because he owns the system. It never fails. I speak to people all the time that tell me that they thought Gary Smith was the "Village Trencher". It also never fails that people tell me regularly about all the problems and hassles that they go thru when they hire him, but they don't find this out till it is too late. I hear about lousy workmanship, messes left for someone else to clean up, tardiness in turning on the water and/or delivering the meter hookup. I even get complaints from people about how Gary shows up on the site intoxicated. If you are asking how he can stay in business even after he runs his business like this, I am telling you that he has a monopoly that generates guaranteed money every month, no matter how well he runs his system.

This past July, early on a Saturday morning, I was out digging up one of Gary's recent road trenches to see if this one had been filled with dirt, like he normally does. Again, I dug down the usual eight or ten inches to find that he had again filled in the trench with dirt, and just topped it off with a small amount of gravel, in order to make everyone think that he had filled in the trench properly. As I was digging, a truck pulled up and a man asked what I was doing. After I told him what I was doing, he identified himself as Roger Tucker and proceeded to tell me that he was Gary's employee and that he was one of the Back Hoe operators that did Gary's trenching for him. He also informed me that he was in Incline Village that morning because he had just come from Gary's house, attempting to collect on a paycheck that had again bounced. He said that he told Gary he was quitting, not only because his paychecks were bouncing, but because he was tired of Gary telling him to do such improper and unacceptable work. He then told me, without my prompting, that if we the Trustees wanted to spend a few hours with him, he would take us around the village and point out some of the unbelievable things that he was told to do, or things that he witnessed, while working for Gary. Of course, we took him up on his offer and a week later, he and I and Dan Purtle and Brian Lindell rode throughout the village and listened while this man showed us things and told us things that made our blood boil.

He took us to five different road trenches that he had helped dig. He said that Gary specifically told him, and all his employees, that when it was time to backfill a road trench, simply push the dirt back in and top it off with a little gravel. Roger said that Gary didn't want to go thru the expense of hauling in gravel. It was cheaper and quicker to use the existing dirt and pour on a little gravel on top. Roger said that Gary would tell him to wait until nobody was looking and then backfill. Roger told us that Gary's most common statement was:

"Hurry up and cover it up before somebody can see it"

Roger then took us to Lot #600, a lot that Gary had been hired to hook up the water and sewer service a few months prior. At this lot, Roger said that Gary had marked out on the ground where the electric and telephone lines should be, and had instructed Roger to dig the trench for the water line. Unfortunately, Gary marked incorrectly and the electric lines were hit and about \$2,000 worth

of damage was done to the transformers. Roger commented how this was a common occurrence for Gary's company to hit and destroy electric and telephone lines. (The copy of the bill from Cuivre River Electric is enclosed. Gary initially had the bill sent to us, but we contacted Cuivre River and corrected it.) At this lot, Roger also showed us where he had trenched and tapped onto the sewer main. Roger said that when they were connecting the sewer line, they did not have an elbow for the pipe, so Gary said to just use duct tape at the connection. Roger also said that normally, this green sewer pipe has a male and female end that slide together at each connection. At the connection, about four or five inches of pipe are supposed to overlap each other, but since they were short some pipe, they barely had enough for two ends to touch. Gary said leave it and bury, which he did. Roger admitted that all this pipe is now buried, so he could only tell us what happened, not show us. He guaranteed us though that if he had to dig it back up, it would be exactly as he described.

Roger took us to lot #710 and pointed out that the access pipe that sticks up out of the ground, the pipe that allows Gary to turn the water on or off for the house, was not positioned above the valve. He said the pipe was just set in the dirt, because the homeowner had waited weeks for Gary to finish the hookup, but when Gary finally felt compelled to come out, the final grade was being done. Gary told Roger to just set the pipe in the soil, as close to the valve as possible, and leave it. Roger said that as far as he knows, the homeowner believes the pipe is set properly.

Roger took us to lot #608, where Gary had cut the telephone line while trenching for the sewer hookup.

Roger took us to lot #596 and lot #805, where Gary had ruptured the water main when trenching and/or boring. Roger told us, which we already knew, that Gary had no idea where the main shut off valves were to shut off the water, so consequently, the water poured from these ruptures until the water tower was empty, thereby shutting down the water for every other home.

Roger took us to lot #42 to show us another access pipe that was bent at a 45 degree angle coming up out of the ground.

Roger took us to the water tank and pump house. We did not go into the pump house, but Roger said that the corrosion on the equipment, created by the chlorine, was so intense that he felt that a person would jeopardize their life by spending anymore than a few minutes at a time in the pump house. He said that Gary just would not spend the money to maintain this equipment. When we asked Roger about the water testing that Gary does for the PSC or DNR, Roger stated that he had knowledge that Gary had, on more than one occasion, taken water samples from places other than where he was reporting, in order to get the sample to pass. Again, Roger said that Gary just did what ever was necessary to get by and get the job done.

Finally, Roger took us to the sewage treatment plant down by the golf course. He said that on at least three occasions that he could remember, he helped Gary unload a pump out of the back of Gary's pickup, set the pump on the ground near the treatment plant, put a hose in the treatment plant and a hose into the lake, and begin pumping stuff out of the treatment plant and discharging it into the lake.

After about two hours of riding around and listening to Roger, we saw and heard about everything that could be seen. He told us that he would testify to these statements at any time, and he said that he could provide at least one other ex-employee to testify as well. (On October 14th, I spoke to Roger Tucker by phone, and again he agreed to testify if he was called upon.)

In June of this year, we received a call from Robert Ullrich, the home owner at lot #432. Mr. Ullrich informed us that he had a problem with Gary Smith and didn't know what to do. Mr. Ullrich stated that he had called Gary to inform him that his lift station at his home was not working. After a number of days of waiting for Gary to come fix the problem, and after many phone calls, Gary finally did show up and subsequently pumped all of the material in the sewage retention tank onto the ground. (We have pictures as evidence.) Mr. Ullrich stated that he and Gary went round and round over this problem. Gary said he fixed the problem, but the tank continued to fill up. Finally, one day, Gary showed up, threw a bill that amounted to \$738.95 at Mr. Ullrich, and informed Mr. Ullrich that if the bill was not paid within sixty days, he would shut off the water. The thing that made Mr. Ullrich so upset was that the grinder pump was not yet fixed, yet Gary was saying that Mr. Ullrich owed him \$738.95. In order to get something done, Mr. Ullrich notified the DNR about this problem. Once the DNR got involved, Gary was politely slapped on the wrist, told to fix the problem properly, and told how to fix the problem properly next time. (COPIES ENCLOSED)

On August 14, 1999, I received a call from a property owner who stated that the sewer main down by the big lake was overflowing and running into the lake. Upon inspection, (PICTURES ENCLOSED), we saw raw sewage flowing right into the lake. Gary was notified and within a couple of hours, he began pumping sewage from his lift station into another man-hole. Over the next four weeks, this man-hole continued to overflow and spill into the lake. After the first occurrence, I called the DNR each time it happened and filed a verbal report. I spoke with Mr. Daugherty and Mr. Paul Mueller. In fact, the last time I called in to report another spill over, I also notified Mr. Mueller that the electrical service panel attached to Gary's lift station had had the cover unlocked and standing wide open for days. Mr. Mueller couldn't hardly believe this was true, because there is 240 volts of power in that box and if someone were to touch any of those wires or components, they could be electrocuted. Mr. Mueller promised to look into it, but as of this date, November 5, 1999, the electrical box still stands open and unlocked. (PICTURES ENCLOSED. TODAY, GARY HAD A BARREL AND A ROCK STANDING AGAINST THE COVER TO PARTIALLY KEEP IT CLOSED.)

Gary Smith is not only the owner of Warren County Water and Sewer, but he is also a resident of Incline Village. As such, he is bound by the Indentures of Incline Village and required to pay assessments on the lot on which he lives. This past May, Mr. Smith told one of his employees that he could fish in the big lake at Incline. When our security man (RICK KOLODIE) observed this man fishing in the lake, Rick told him that he could not do so because he wasn't a resident. The man said that Gary gave him permission, but then we informed him that Gary could not do that because Gary had not paid his assessments. Within a couple of hours, Gary learned of this encounter and went crazy. When Gary found Rick Kolodgie, Gary threatened Rick with a gun. (This happened at Gary's house and Gary's wife was a witness to it.) Rick called the police and eventually Gary was taken to jail. He later posted bond to get out. A few months after this occurrence, Gary, because he believes that he can do whatever he pleases, decided to haul in tons of gravel to the area near his western most treatment plant and build a boat ramp that extends from his treatment plant property down into the lake. We thought this was quite ironic that Gary doesn't want to spend money on gravel for backfilling his road trenches, but he could afford to spend hundreds of dollars for this boat ramp, which is not even permitted. It was simply another case of Gary deciding that he was the boss and he would do what he wanted to do.

On Sunday, October 10, 1999, I learned from another source that Gary Smith has been served papers from more than one individual for lawsuits that people have brought against him. I have not yet been able to determine who these individuals are by name, but I am told that most of them reside in another development, just outside Incline Village, called Shady Oaks. Gary Smith services these people with his water and sewer company, and he owns lots in this development.

In conclusion, when all the facts are on the table, when you look at the condition of Gary's treatment plants and water plant, when you look at the way in which he treats his customers, and when you look at the way he carries on his business, it is hard to believe that in today's society, a company like this can still be in business. When Gary uses the phrase "QUALITY ON TAP" on some of his documents, you have to wonder what he is thinking. Recently, Gary sent a "Annual Water Quality Report" (This was the first one that I ever saw) to his customers. In it, he says the following:

In our continuing effort to maintain a safe and dependable water supply, we continue to make improvements in your water system. Chlorination, iron sequestration, new pumping equipment, increased storage and other such improvements have significantly improved this system over the last several years. The cost of these improvements will be reflected in the rate structure. Rate adjustments are necessary in order to pay for, and continue, these improvements.

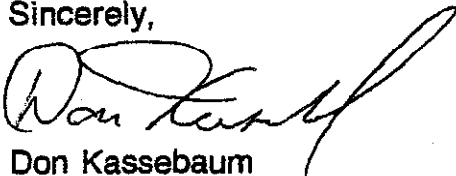
On our most recent water and sewer bill, Gary typed a notice on everyone's bill that stated:

For Your Information: We have awarded the contract for construction of our new water tower. A delivery date will be set shortly once MOPSC factors the litigation cost with Incline Village Trustees into the final rate adjustment. We hope for a fall delivery.

In the end, I and two hundred or so other people hope that one day Gary Smith will be held responsible for his actions. He continues to blame everything on everybody else. As residents of Incline Village and customers of Warren County Water and Sewer, we have seen about everything that you can imagine concerning Gary Smith and his business practices. If the PSC, DNR, or the court system cannot take action against Gary, or force Gary to operate with higher standards, and improve his system and company substantially, and learn to work within the rules, laws and guidelines that govern this state, county, and village, we are greatly concerned that the time is near when Gary, or his company, will cause substantial damage to a person or property. We hope that you, the Public Service Commission, will use what ever powers you have at your disposal to forever change this situation. We, the customers of Warren County Water & Sewer, are prepared to do what ever is required of us to see it thru.

We plead for your assistance!

Sincerely,



Don Kassebaum
Trustee

#26660
7/23/99
\$1995.99

STATEMENT

**CUIVRE RIVER
ELECTRIC COOPERATIVE, INC.**
P.O. BOX 160
TROY, MISSOURI 63379

COPY

INCLINE VILLAGE
1230 N. Fairway Drive
Foristell MO 63348

ATTN: GARY SMITH

PLEASE RETURN THIS STUB WITH YOUR REMITTANCE. YOUR CANCELLED CHECK IS YOUR RECEIPT.

3/24/99 - Damaged two transformers and
underground primary and secondary
wires

MATERIAL: \$ 1106.99

TRANSFORMER REPAIR

75 KVA 484.65

50 KVA 404.35

TOTAL \$ 1995.99

PAID BY CHECK NO.

8/30 - Ramone
said Gary has
not paid it yet.
528-8261

Schedule KKB-13.7

COPY

STATE OF MISSOURI
DEPARTMENT OF NATURAL RESOURCES

Mel Carnahan, Governor • Stephen M. Mahfood, Director

DIVISION OF ENVIRONMENTAL QUALITY

St. Louis Regional Office

10805 Sunset Office Drive, Suite 100 St. Louis, MO 63127-1038

(314) 301-7100

FAX (314) 301-7107

CERTIFIED MAIL # Z 465 691 892
RETURN RECEIPT REQUESTED

June 7, 1999

Mr. Gary Smith
1248 Mimosa Court
Foristell, Mo 63348

Dear Mr. Smith:

On June 3, 1999 Mr. Daugherty of my staff investigated a complaint of a sewage bypass at 1102 Post Oak Court in Incline Village. At the time of this investigation samples of the effluent from the two treatment plants were collected. You will be provided with a copy of the analytical results when they are available.

The complaint alleged that a home's pump station, or grinder pump, failed and that the contents of the wet well were pumped to the yard instead of being hauled away. Upon examining the site Mr. Daugherty found solids from sewage left behind on the grass adjacent to the pump station. Please be advised that discharging a water contaminant where it is reasonably certain to enter waters of the State is a violation of the Missouri Clean Water Law [RSMo 644.051.1(1), & 644.076.1]. In addition, the causing and failing to report a bypass is a violation of the Missouri Clean Water Regulations [10CSR20-7.015(9)(E), and (E) (2)].

Notice of violation # 1420 SL is hereby issued for the above-cited violations. At locations where sewage has been pumped to the ground, lime should be spread over the site to protect against the spread of disease. This should be done immediately.

In most of the systems that my staff inspect they find the pump stations are the responsibility of the homeowner. However, since Warren County Water & Sewer Company has assumed responsibility for the pump stations, and because of the ever increasing number of these stations, it would appear that the company should obtain a means to pump out these stations and deliver the contents to the treatment plant. There are two options that are immediately evident.

- 1) Gravity systems allow the transfer of material via a pump from one manhole to a second manhole that is past the blockage. Unfortunately, manholes are not available on pressure sewer systems as in Incline Village. However it may be possible to use a portable pump to transfer the waste from the disabled station to nearby pump station, if one is available.
- 2) The use of a portable tank to haul the sewage to the treatment plant. The tank could be carried in the back of a pick-up, or could be a trailer mounted unit. The tank would not necessarily have to be large enough to take the entire contents of a pump station to be

Schedule KKB-13.8

effective. A station could be pumped down by half at any time, or two or more trips could be made too completely empty a pump station.

Please note, whenever there is a bypass of the wastewater collection system the Department must be notified by telephone within 24 hours, and in writing within five business days. The report should include: location of the occurrence; duration of bypass, including the estimated time of start, and the time the bypass was corrected; quantity (estimated) bypassed; cause of bypass; methods employed to clean-up the bypass.

A second item of concern was observed at treatment plant #2. A hose was connected to the flush hydrant in front of the treatment plant, but a back-flow prevention device was not in use on the line.

Whenever potable water is used or available within a wastewater treatment plant, the water line must be protected by a reduced pressure principal (RPP) back-flow prevention assembly [Missouri Safe Drinking Water regulation 10 CSR 60-11.010(3)]. A list of approved back-flow prevention devices is enclosed.

I am certain that you will take the necessary steps to address the items cited above, and to ensure that such incidents will not re-occur in the future.

If you have any questions, or need assistance, please contact Mr. Daugherty at the St. Louis Regional Office at 314-301-7100.

Sincerely,

ST. LOUIS REGIONAL OFFICE



Robert S. P. Eck
Regional Director

RESPE/DJD/cm

Enclosures

C: Public Drinking Water Program
Water Pollution Control Program
Missouri Department of Health, Central District
Warren County Department of Environmental Health
Warren County Planning & Zoning
James Mercile, Public Service Commission
John Kelly, Incline Village Board of Trustees
Mr. Robert Ullrich



Schedule KKB-13.9



MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL QUALITY
NOTICE OF VIOLATION

P.O. BOX 176
JEFFERSON CITY, MO 65102

VIOLATION NUMBER

1420 SL

DATE AND TIME ISSUED

June 7, 1999

☐ A.M.
☐ P.M.

SOURCE (NAME, ADDRESS, PERMIT NUMBER, LOCATION)

Warren County Water & Sewer

Incline Village Treatment Plant #1-MO-0098817

Incline Village Treatment Plant #2-MO-0100358

Warren County

MAILING ADDRESS

1248 Mimosa Court

CITY

Foristell

STATE

MO

ZIP CODE

63348

NAME OF OWNER OR MANAGER

Gary Smith

TITLE OF OWNER OR MANAGER

Owner

LAW, REGULATION OR PERMIT VIOLATED

Missouri Clean Water Law RSMO 644.051.1 § 644.076.1

Missouri Clean Water Commission Regulations. 10CSR.20-7.015(9)(E)

and 10CSR20-7.015(9)(E)(2).

NATURE OF VIOLATION

DATE(S):

TIME(S):

Placed Water Contamants where they would be reasonably certain to enter
water of the state by pumping lift stations to the environment.

Caused or permitted the by pass of waste water, and failed to report the
by pass to the department as required by Clean Water Commission
Regulations.

SIGNATURE (PERSON RECEIVING NOTICE)

By Certified Mail

SIGNATURE (PERSON ISSUING NOTICE)

Dan Daugherty

TITLE OR POSITION

TITLE OR POSITION/DNR REGION

Environmental Specialist
St. Louis Regional Office

Surrebuttal Testimony of
Kimberly K. Bolin
Case No. WC-2002-155

FILE COPY

WA-96-449

Frank & Laurel Ziener

15 Greenbrier Court
Foristell (Incline Village), MO 63046

Residence 314 463 11
Answering Machine & Fax 314 673 21
Mobile 314 704 22

February 21st, 1997

Water & Sewer Department
MISSOURI PUBLIC SERVICE COMMISSION
P.O. Box 380
Jefferson City, MO 65102

IN RE: proposed rate increase by Warren County Sewer & Water Co., Inc.

Dear Sir or Madam:

We are exercising our right to comment on this matter as per the letter notifying us of the referenced company's application to increase rates.

We realize that the company has a right to a fair profit on the service it provides. Mr. Smith is entitled to realize a reasonable return on his investment in infrastructure and labor, as well as accumulate a reserve.

We do not believe that the quality of the product delivered warrants a seventy five percent increase under the status quo. We're dumping unmeasured quantities of Chlorox in our water softener to kill the often overpowering odor. There seems to be something in suspension in the water, as it is sometimes opaque when it comes from the tap. Face with free market competition, Mr. Smith would be forced to upgrade his product to successfully market it.

A rate increase of this magnitude should be contingent on improvements in the water treatment facility itself; and a demonstrable need for substantially increased individual revenues from an expanding customer base.

Yours Truly

Frank and Laurel Ziener

Frank and Laurel Ziener

copy: Warren County Water & Sewer Co., Inc.
2615 Fairway Drive
Foristell, MO 63348

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Schedule KKB-14.1

FEB 27 1997

MISSOURI
Public Service Co.

MAR 1 1997

DAVID R. TURNER AND MICHELE TURNER

1155 Mulberry Drive
Foristell, Mo. 63348

Telephone: 314-673-1234
Fax: 314-673-1234

March 11, 1997

Missouri Public Commission
Attn: Wes Henderson
P.O. Box 360
Jefferson City, Missouri 65102

RE: Incline Village Water and Sewer

Dear Mr. Coffman:

I am writing this letter to voice some of my complaints and concerns regarding my water and sewer service provided to me by Gary Smith, owner of Incline Village Water and Sewer.

My family and I have lived in Incline Village since 10/87. We have several problems with our water. The first and most noticeable is the odor, especially the hot water. When someone takes a shower in our master bathroom, you can smell the offensive odor when you enter the bedroom.

We also have rust and white stains left on our washing machine, dish washer, bath tub and toilet. We have a water filter and a water softener which we rent from the company for \$18.00 a month and we still have these problems. The water softener rent along with the water and sewer bill can be around \$70 a month.

We have a fire hydrant on the lot next to us. We have never seen this hydrant being flushed. We are at the end of the line so flushing this hydrant would probably help some of the problems.

We have had water that comes out of the faucet brown in color and we have had to replace our water heater 3 times in 8 years. We flush our water heater out about every six months and find massive amounts of sediment in the bottom of the tank. We have had a new water heater almost destroyed due to the water lines in the Village being broken and it drained the water heater. When the lines were broke, our water was dark brown in color. I called and talked to Gary Smith, who did not even issue a boil order, to see if he would blow and sanitize the lines. He said that he would not.

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Schedule KKB-14.2

MISSOURI
Public Service Commission

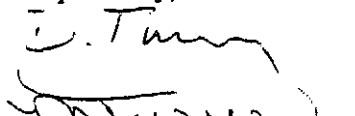
My family consists of 2 adults and three children. The youngest being 6 years old. I have reviewed all of my water receipts since we moved here in October of 1987 and have found the following:

Nov. Dec. 1987 average	7,000 gallons
1988 average	6,000
1989 average	5,250
1990 average	5,909
1991 average	6,100 (third child born 1/91)
1992 average	5,750
1993 average	5,800 (Gary Smith takes over water co)
1994 average	7,800
1995 average	7,769
1996 average	8,750
1997 Jan & Feb average	9,500

It seems odd to me that our water consumption has increase by 3,700 gallons a month since Gary Smith has taken over the water. He has increase our sewer from \$15 to \$18.14 a month and now wants to increase our water and he has not done anything to improve the condition of our water?

Please take these items into consideration before you approve his request to increase our water rates. Any help in trying to improve our water is greatly appreciated.

Respectfully,


David and Michele Turner

Steven Miller
2318 Somerset Ct.
Foristell, MO 63348

Missouri Public Service Commission
Water and Sewer Department
P. O. Box 368
Jefferson City, Missouri 65102
March 18, 1997

Dear Mr. Henderson,

This letter is in response to the proposed water and sewer rate increase by the Warren County Water and Sewer Co., Inc. at Incline Village. I have lived here for a period of one year. My water and sewer rates have been as follows:

	Meter Reading	Used	Water	Sewer
April	159000 to 166000	7000	24.44	15.00
May	170000	4000	17.88	15.00
June	183000	13000	38.96	15.00
July	194000	11000	34.12	15.00
August	203000	9000	29.28	18.14
Sept.	216000	13000	38.96	18.14
Oct.	223000	7000	24.44	18.14
Nov.	230000*	7000	24.44	18.14
Dec.	232000	2000	12.34	18.14
Jan.	238000	6000	22.02	18.14
Feb.	242000	4000	17.18	18.14

*estimated

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MAR 18 1997

MISSOURI
Public Service Commission

I really don't know if this cost is high or not. It is higher than I was paying in St. Charles and the sewer rates were the same, but why did the sewer rates go up? My question is if only one month was estimated how does my reading always come out to an exact amount of gallons used every month?

I have called on Mr. Smith only one time and he did respond promptly and he took care of my questions.

We have a water softener and a filtration system for drinking water. I find without those items our water is almost unusable. I wouldn't be able to drink it. The smell could drive you from the house. If rates are increased will Mr. Smith take care of these problems or will they continue?

Finally the water pressure is very low. Cleaning a razor after you shave is impossible unless you wipe it off. Will the water pressure problem be fixed?

I have never complained about these problems because I accepted them as *statis quo*, but if a price increase takes place I believe they need to be addressed.

Sincerely,



Steven Miller

Schedule KKB-14.4

March 11, 1997

Missouri Public Service Commission
Water & Sewer Department
P.O. Box 360
Jefferson City, MO. 65102

RECEIVED

MAR 14 1997

MISSOURI
Public Service Commission

RE: Gary L. Smith request for increase in water & sewer rates

Attn: Wes Henderson

Dear Sir,

We are writing to urge you not to allow the requested increase in sewer and water rates requested by Mr. Smith. Nearly two years ago our water turned almost black with a very bad odor. Several times we requested Mr. Smith to flush the hydrant beyond our home to clean out the line. When he finally agreed to do this, I watched as the water poured out looking more like black oil than water. Mr. Smith admitted he had never seen anything like that in the past. To my knowledge, the line has not been flushed since that time. If I do not periodically add bleach to my water softener, the water smells so bad it is impossible to drink.

Until Mr. Smith improves our service with clean water, better pressure and chlorinated water, we urge you to reject his request for an increase in rates.

Sincerely,

Fred R. Schuster

Fred R. Schuster
2317 Somerset Court
Foristell, MO. 63348-2312
Phone 314/463-2835

Sincerely,

Patricia L. Schuster

Patricia L. Schuster

11 March 1997

Mo. Public Service Commission
Water and Sewer Dept.
P.O. Box 360
Jefferson City, Mo. 65102

Mr. Henderson,

I am writing to protest the proposed rate increase for water and sewer service provided by Gary Smith for Incline Village in Foristell Missouri.

I bought a new home in Incline Village eight and one half years ago. In that time the quality of the water has not improved significantly. During this time we have had smelly, foul tasting water; brown to dark brown water which has ruined some white clothes; water heater stopped up by mineral deposits; a dishwasher rendered inoperable due to a corroded water pump; a water softener filter tank and control head replaced due to corrosion at the head and deposits of black crud in the tank; stained toilet bowls and tanks; stained shower heads and very poor water pressure.

You never know what you are going to get when you turn on the faucet. We have to watch the water run for a time to make sure we aren't getting any strange colored water before using it to cook. I installed an additional water filter in the kitchen just because of this problem.

We already pay in excess of \$40.00 per month for water and sewer service that is unacceptable. During the summer months the monthly charge is even higher when washing cars and watering the lawn increases the amount of water required by all. The increased usage also causes the water pressure to drop noticeably. All of this impacts the resale value of our home as well.

Thank you for your time in consideration of this matter.

Gary Hill Sue Hill

Gary and Sue Hill
2510 Ponderosa Drive
(Incline Village)
Foristell, Mo. 63348
(314) 673-2828

RECEIVED

Schedule KKB-14.6

Public Service Commission

March 11, 1997

MO Public Service Commission
Water & Sewer Service Department
P.O. Box 360
Jefferson City, MO 65102

Re: Warren County Water & Sewer Co., Inc.
Request for Rate Increase

Mr. Wes Henderson:

Mr. Smith was granted a large rate increase in 1996 for improvements to the water & sewer systems in Incline Village, Foristell, MO

The water and sewer service has not improved. The water is multiple colors (brown, yellow, etc.); the smell of rotten eggs and not the best taste. We must have water softner systems in order to use the water. I add clorox to my softner twice monthly to help the smell. We can't keep our sinks, tubs, showers and toilets clean from discolored water; the water pressure is also very low.

Mr. Smith is requesting this rate increase in order to expand his services into other areas. Expansion would be fine if the existing services were standard or above.

I strongly urge you to consider the problems with the current systems and have those corrected prior to any expansion of services to other areas and any possible rate increase.

I believe that our rates are higher than all or most of areas surrounding Incline Village.

Thank you for your consideration.

Sincerely,

Harold L. Putnam

Harold L. Putnam
12 Greenbriar Ct.
Foristell, MO 63348
314-673-1164

RECEIVED

Schedule KKB-14.7

MISSOURI
Public Service Commission

Donald Etter
22 Golfview Ct.
Foristell, Mo. 63348
(H) 314-463-2313
(W) 314-725-1111

Wes Henderson
Missouri Public Service Commission
Water & Sewer Department
P.O. Box 360
Jefferson City, Missouri 65102

RECEIVED

MAR 1997

MISSOURI
Public Service Commission

Dear Sir:

As an Incline Village resident & customer of Warren County Water & Sewer Company I wish to express my concerns about Mr. Smith's proposed rate increase.

Why should our water bill go up in price with no improvement to the service in sight. We have low pressure and the water tastes and smells foul. I know of a water (main?) leak at Fairway & Village Drive that has gone unrepaired for quite a long time, my neighbors tell me of others. I'm also concerned about the water company serving more developments at this time because without some form of improvement to the existing system my own water pressure can only drop.

I believe we need and will appreciate your help to solve the problems to the satisfaction of all involved.

Respectfully,



Donald E. Etter

RECEIVED

MAR 19 1997

MISSOURI
Public Service Comm.

Schedule KKB-14.8

Missouri Public Service Commission
Water & Sewer Department
PO Box 360
Jefferson City, MO. 65102

Attn. Wes Henderson

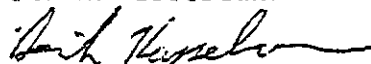
I am writing you in regards to the water service at incline Village in Foristell. I have lived there since Dec. 14th 1996. I moved from St. Peters Mo. Since my wife and I have lived there we have had nothing but problems with the water. They are as follows:

- 1) The water smells horribly.
- 2) The color of the water is orange.
- 3) We have a constant smell of sewer outside our house.
- 4) To this date he has not installed a meter outside our house. We get a estimated water bill of approximately \$30.00 a month. When we lived in St. Peters and watered our yard twice a day it barely reached that amount.
- 5) We have to pour bleach in the water softener to kill the bacteria.
- 6) When we had our water checked when we moved and the was no sign of chlorine in the water but there was a huge iron content.
- 7) It has stained our comodres and sinks.
- 8) I have a water softener and a treatment system on my water line.

To say the least I am very displeased with the water service my wife and I are getting. I have nothing against the man Gary Smith because I have yet to meet him and get a meter put on my house. Please do not let him raise our rates until he drastically improves our water service.

Thank You for your time.

Sincerely,
Derrick Kassebaum



Lot #719 Incline Village

RECEIVED

MAR 14 1997

Schedule KKB-14.9

Forwarded

5107

MARCH 12, 1997

Missouri Public Service Commission

Water & Sewer Dept.

ATTN: Wes Henderson

P.O. Box 360

Jefferson City, MO 65102

RECEIVED

MAR 14 1997

MISSOURI
Public Service Commission

RE: Gary Smith and Warren County Water & Sewer proposed rate increase

Dear Mr. Henderson:

It is my belief that the water and sewer increases proposed for Incline Village are unsubstantiated and well beyond reasonable and customary. Having just moved here in December, I have little to comment on regarding the service except to say I have yet to receive a meter on the outside of my house resulting in "estimated" billings for my water. However, this minimum estimated number well surpasses costs paid for the same services in O'Fallon, MO in the peak summer months when additional water was required to wash cars and water the lawn. Therefore, I believe we are currently paying inflated prices for these services and any additional increase would be grossly unfounded.

I also believe that the costs we are currently paying for services are not benefiting Incline Village. The quality of water that reaches our home proves this. All houses must have a water softener and, in addition, we also have a carbon-based water treatment system.

for our drinking water. The water coming into our home is unfit for use without these additional items that must be installed and maintained at our expense.

Shortly after moving here, we went out of town and left a faucet in our sink running to help keep our pipes from freezing. Upon our return, we found that sink stained with a black build-up from the water. I don't understand how we can be expected to accept this water for our personal consumption, much less for our plumbing and appliances — high-cost investments that the homeowner must replace upon failure due to built-up deposits from the water. The water also has a foul smell and taste if left untreated by the homeowner. The water at our home has been tested and found to have no chlorine. I cannot believe this is an acceptable and safe water standard.

It is difficult to understand why we are expected to pay accelerated prices for such poor water. We certainly aren't receiving any improvements for the money we've already spent and I believe any opportunity given to Gary Smith and Warren County Water and Sewer to take this water to other communities will further erode our water service.

As you can see, I highly disagree with this attempt to raise our water rates. I believe the water should first and foremost be improved with enforced

orders to insure that Incline Village receives quality water.

I do believe businesses exist to make profit, but with that comes responsibility and accountability to those who are served and Gary Smith and Warren County Water and Sewer have failed to serve the community of Incline Village.

Respectfully yours,

Laura M Kassebaum

Laura Kassebaum
1047 Sugar Maple Dr. (Lot #719 Incline Village)
Foristell, MO 63348

Sirs

Coffman

3-1-97

FILE COPY

I recieved a letter from Gary Smith about the rate of our water going up, and it said questions, comments or service problems to address them to this address

The problem is I have been in this home for five years and the problem is still here. I have to buy my water in town, as this stinks so bad you can hardly take a bath in it at times. I have a water softner, and at times there is no suds from soap as there is a oily, slick, water that we get. People out here have put in filters and they dont last a week that they arent black with who knows what. My water + sewer bill runs \$35.00 a month for me + wife after having to buy water.

I ask Gary sometime back about the odor and he said

it was from people using it
so fast he couldn't get the smell
out of it? This is winter and
yards ^{washing} ~~potholes~~ are not in use and
it has not improved.

I hope there is some
kind of check-up on this
problem.

Thank You a Concerned Customer

Bill Lackey
2429 Fairway
Foristell Mo 63348
314-463-2455

Billie Lackey
2429 Fairway Dr.
Foristell, MO. 63348-2311

MO. PUBLIC SERVICE COMMISSION
WATER AND SEWER DEPARTMENT
P.O BOX 360
JEFFERSON CITY, MO. 65102.

MARCH 1, 1997

GENTLEMEN,

REGARDING A LETTER RECEIVED FROM THE COMPANY, GARY L. SMITH,
AND HIS PROPOSED TRANSFEREE, WARREN COUNTY WATER AND SEWER
COMPANY INC. REQUESTING A PERMANENT INCREASE IN WATER AND
SEWER RATES.

THE REQUEST IS BOTH OUTRAGEOUS AND UNDESERVING. NO IMPROVEMENTS
HAVE BEEN MADE IN SERVICE AND IN FACT I FOUND LESS SERVICE
FORTHCOMING DURING THE RECENT CONSTRUCTION OF MY HOME. I MAY
BE CONFRONTED WITH A SEWAGE PROBLEM IN THE NEAR FUTURE BECAUSE
HE REFUSES TO STOCK OR PURCHASE PUMPING EQUIPMENT TO OPERATE
MY LIFT CONTRARY TO WHAT HE AND THE CONTRACTOR AGREED UPON.

APPARENTLY MR SMITH WANTS TO USE THE MONEY FROM THIS INCREASE
TO EXPAND HIS BUSINESS TO ANOTHER AREA NEARBY. PROVIDING HIM WITH
WORKING CAPITAL TO EXPAND HIS BUSINESS IS THE JOB OF A BANK.
HE HAS NOT COME FORTH WITH ANY PROPOSED IMPROVEMENTS TO THOSE
HE CURRENTLY SERVES NOR AM I AWARE OF ANY IMPROVEMENTS NEEDED.

THE INCREASE, EVEN 1%, IS UNJUSTIFIED AND UNDESERVING OF YOUR
ATTENTION.



R.C. KOLODIE
2721 MAHOGANY DR.
FORISTELL, MO. 63348

OFFICE OF THE PUBLIC COUNSEL
P.O. BOX 7800
JEFFERSON CITY, MO. 65102

MR. D ZIMMERMAN
TRUSTEE
2708 VILLAGE DR. WEST
FORISTELL, MO. 63348

WEIMER
HARRY & DOROTHY
1302 SPRUCE COURT
INCLINE VILLAGE
FORISTELL, MO. 63348
314-463-1319

February 26, 1997

Missouri Public Service Commission
Water & Sewer Department
P.O. Box 360
Jefferson City, MO. 65102

RE: Gary L. Smith and Warren County Water & Sewer Co., Inc.
Proposed Rate Increase

To Whom It May Concern:

As a customer of the above company who will be affected by the proposed increase in rates, I feel it is necessary to register the following complaint. I understand the need for periodic increases, but based on the proposed numbers supplied by the company, I feel that an increase of 74.38% per 1000 gallons is outrageous. Few companies or individuals in this world ever see such an increase in either their revenue or income.

Further more, the quality of the water is poor at best. Without the best water softener made, a homeowner would be replacing the fixtures in their home annually. In addition, from approximately April thru October, the odor from the water makes it practically undrinkable. Mr. Smith's solution for this has been a suggestion to buy bottled water.

A modest increase will be understood, but 74.38% is unacceptable.

Thank you for your consideration.

Sincerely,

Harry C. Weimer

Cuffman

1003 7113

Richard L. Husby
1015 N. Stringtown Road
Foristell, MO 63348
(314) 463-1259

RECEIVED

February 27, 1997

MAR - 3 1997

**MISSOURI
Public Service Commission**

Missouri Public Service Commission
Water & Sewer Department
P.O. Box 360
Jefferson City, Mo 65102

Regarding: Warren County Water & Sewer Co. rate increase.

To Whom It May Concern:

The proposed rate increase by Warren County Water & Sewer can only be justified if there is an increase in the level of service currently in place.

Since being hooked up to the Warren County Water system, our water pressure is not acceptable. We have been told that to increase our water pressure, a "loop" has to be constructed. What ever this "loop" is, needs to be addressed.

Currently, if we turn on any water appliance in the house, any other appliance has only a trickle of water available. Watering of the lawn is impossible.

I have placed a pressure meter on the main line coming into the house. With no water running in the house, there is 18 pounds of water pressure. This is on a 1" water line. Flushing the toilet drops the water pressure to 6 pounds per square inch. Flushing the toilet and turning on a faucet, the water pressure drops to 3 pounds per square inch. As far as I am concerned, this is unacceptable.

Sincerely,

Richard L. Husby
Richard L. Husby

3/13/97

MO. Public Ser. Comm.
Water & Sewer Dept.

Re: Increase in Water Revenue
at Incline Village

My husband & I feel that we
have very poor water service
for what we pay.
water taste & smells bad at
times also rusty.

Thank you

RECEIVED

MAR 17 1997

MISSOURI
Public Service Commission

Shirley & Ed
Orlando

March 13, 1997

Attention: Mr. Wess Henderson
Missouri Public Service Community Commission
Water and Sewer Department
P.O. Box 360
Jefferson City, MO 65102

My name is Leonard Cusumano and I am a home owner in Incline Village, in Foristell, Missouri. We have resided here for the past four and a half years and have had the same complaints with our water service.

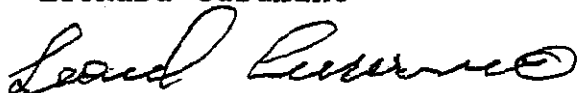
The water pressure is too weak and we have just enough pressure to take a shower. If someone else takes a shower at the same time, or if somebody flushes the toilet, the water pressure dissipates radically.

Also, the toilet bowl and tank are extremely rusty from the water settling. We clean the bowl every two days, because the film is so disgusting.

I hope these reasons are enough for someone to take action against this recurring problem. I thank you for your time and please feel free to call us at (314)-463-7672. Thank you.

Sincerely,

Leonard Cusumano



RECEIVED

MAR 17 1997

MISSOURI
Public Service Schedule KKB-14.19

3/11/97

①

To Missouri Public Service Commission
WATER SERVICE Dept.

RECEIVED

MAR 17 1997

MISSOURI
Public Service Commission

ATTENTION: Mrs Henderson,

This is a formal complaint against GARY Smith
for giving Ancline Village unhealthy water.

Reason being:

- (1) using failing equipment
- (2) after lined pipes cut, did not chlorinate water

Example:

Two years ago there was a break in the water line. It was so bad the well was completely drained. Mr. Smith did not chlorinate water or issue a boil order. He said it not necessary. I do believe the man does not know what he is doing.

- (3) Never flushes out systems
- (4) Terrible water pressure
- (5) Harries orders, gag reflex, unable to drink
- (6) Appliances not working properly
- (7) Leakage throughout the subdivisions where pipes are broken.
- (8) physical illness

There has to be some sort of limitations on how GARY Smith. Can raise our bill 40% for these unhealthy conditions we must be subjected too. GARY Smith is also allowing a neighboring community SHADY OAKS, to use our water. SHADY OAKS had a problem. MR. Smith. did not bury the water pipe deep enough & they froze, MR Smith, used a garden hose from one trailer to another. This man needs to be checked out.

(2)

There are a lot of lines being effected daily because of Mr. Smith's inability to run a proper water system.

I would appreciate someone coming to our rescue here at Incline Village

Respectfully,

Priscilla Winter

#20 Lakeview Ct

Forest Hill Mo.

63348

March 14, 1997

Mr. Wes Henderson
Missouri Public Service Commission
Water and Sewer Department
P O Box 360
Jefferson City, MO 65102

Dear Mr. Henderson:

We are in the process of building a home at Incline Village in Foristell, MO. After checking the water system operated by Gary Smith, we have a number of concerns.

1. Water pressure is only at 27lb., which is low for a common system.
2. It appears the lines are not flushed, even after isolated repairs or breaks.
3. Turnover in the bulk tank is so frequent there is no settling time. The water appears to have rust and other residue in it as a result.
4. At the time we took samples, the water had a foul odor to it. This was in mid February and mid March.
5. There appears to be a break in the water line at the corner of Village Dr. and Fairway that has been there at least since we purchased our property last fall. This could contribute to low water pressure and residue in water.

There is no apparent evidence that Mr. Smith is making any effort to reinvest in the system, or maintain it in such a manner as to avoid these unpleasant effects.

We would encourage the PSC to review this operation in the interest of public health and welfare. I seriously question his justification for a rate increase given the conditions that exist and the apparent lack of service.

Thank you for your time and consideration.

Regards,

Dan Furtle



CC: John Coffman, Esq.
Home Owners Association, Incline Village

Schedule KKB-14.22

faxed 3/19/97

9

RECEIVED

MAR 21 1997

Mo PSC

March 19, 1997

Missouri Department of Conservation
Water Sewer Department
P.O. Box 360
Jefferson City, MO 65105

RE: Gary Smith, Incline Village Sewer & Water Co.

I would like to write regarding Mr. Smith's unsatisfactory service at Incline Village, Foristell, MO. We have a water softener in addition to two filters and we still need to use a water purifier for our drinking water. In addition, we have rust stains in our toilet bowls even though we have a water softener. On several occasions, our water has been brown.

In addition, it appears that on our bills the usage amount is sometimes estimated versus having the meter read.

On March 18, 1997, the water pump went out and to this date we do not have service. It appears Mr. Smith should have had a back up pump.

← not the problem

I can be reached at (314) 463-1152 if you need further information.

Sincerely,

Richard + Mary Leach

Richard and Mary Leach
2427 Ponderosa Drive
Foristell, MO 63348



December 13, 1999

Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO. 65102
Attn: JAMES A. MERCIEL

RECEIVED
DEC 15 1999
Missouri Public
Service Commission

Dear Sir,

Enclosed are copies of paperwork that we received today from Mr. Smith, owner of Warren County Water & Sewer Company. The purpose of writing you is simply to ask if Mr. Smith has the right and authority to disallow a contractor from installing the water and sewer service for a new home. If Mr. Smith has this right and authority, should he not then have to show why this contractor is disallowed from doing such work, and/or prove that a certain contractor is incapable of doing the work.

You see, Turpin Trenching is one of the most reputable contractors working here in Warren County and St. Charles County. Turpin has done dozens of water and sewer hookups here in Incline Village in the past few years, and never once have we had a problem with his work. In our estimation, Mr. Smith is disallowing Turpin Trenching from installing new service because Turpin is the only real competition that Mr. Smith has, when it comes to water and sewer trenching and hookup.

Because of the timeliness of this letter from Mr. Smith, and the fact that three to six homes a month get under construction, I am requesting that you, or someone in the Public Service Commission, address this issue and supply us with an answer, so that we can proceed accordingly. If I need to get this answer from another source, please enlighten me so that I can do that accordingly. If you desire to call me directly at my office during the day, I can be reached in St Louis at 800-542-7387.

Sincerely,

Don Kassebaum
Trustee

Schedule KKB-15.1

**WARREN COUNTY WATER & SEWER CO.
2615 FAIRWAY DRIVE
P. O. BOX 150
FORISTELL, MISSOURI 63348
(636) 463-1441 OR 463-1000**

DATE: DECEMBER 6, 1999

**TO: CONTRACTORS
SUBDIVISION TRUSTEES**

FROM: GARY L. SMITH, PRESIDENT

RE: CONNECTION TO WATER/SEWER

Normally, at this time of year, we would be mailing numerous copies of our new Application for Service along with information for connecting to our system, for the coming year. Because of pending Applications with the MOPSC for changes in our current Tariffs; because of threatened, or pending, litigation with Incline Village; and other uncertainties, we are unable to do so this year. Instead, we are providing the enclosed and requesting that proposed new customers call our office. We will then mail a copy of the attached to them. Service will not be provided unless the attached are complied with.

Further, customers may hire any contractor they want to install their service. The only exception is where we have had sufficient problems to bar certain contractors from further activity in our service area. Currently, the only contractor that will not be allowed to install service to this system is TURPIN TRENCHING, FORISTELL, MO.

Please direct any property owners, developers, potential homeowners, etc., to call our office. We will deal directly with potential customers in the future.

DO NOT HESITATE TO CALL IF YOU HAVE ANY QUESTIONS.

**WARREN COUNTY WATER & SEWER CO.
2615 FAIRWAY DRIVE
P. O. BOX 150
FORISTELL, MISSOURI 63348
(636) 463-1441 OR 463-1000**

DATE:

TO:

FROM: GARY L. SMITH, PRESIDENT

RE: CONNECTION TO WATER/SEWER

Thank you for your recent inquiry as to connecting to our water and sewer system. I hope that we will be able to serve you for many years with our state approved and regulated utility system.

If you decide to proceed with your interest in building within our system, please read the attached Application for Service; complete it with all necessary information; and return to us with your connection fees. If you need additional information, please give us a call.

Once your Application is received, you are free to hire any contractor you want to install your service. We require 48 hours notice prior to any work being done. Once connections are done and inspected, service will be connected at the then existing MOPSC tariffs.

The only exception to hiring any contractor is that the contractor cannot be on our exclusion list. Currently, we do not allow the following to work on our system:

TURPIN TRENCHING, FORISTELL, MO

If, or when, you are ready to proceed with connection to our system, please forward the enclosed application, along with your connection fees, to our office. Do not start construction until we have received the appropriate 48-hour notice.

DO NOT HESITATE TO CALL IF YOU HAVE ANY QUESTIONS.

**WARREN COUNTY WATER & SEWER CO.
2615 FAIRWAY DRIVE
P. O. BOX 150
FORISTELL, MISSOURI 63348
(636) 463-1441 OR 463-1000**

CONTRACT FOR UTILITY SERVICES

The undersigned hereby requests that the above utility provide water and sewer service to the property described below. As consideration for providing such service, the undersigned agrees to **PAY TO THE UTILITY a connection fee in the sum of \$300.00 for WATER and a connection fee in the amount of \$150.00 for SEWER service. FEES WILL BE CREDITED ONLY UPON RECEIPT BY THE UTILITY.** All parties acknowledge that rates and other regulatory matters are governed by tariffs issued by the Missouri Public Service Commission and Regulations of the Missouri Department of Natural Resources and that all parties are bound thereby and that failure to comply with such rules will result in disconnection of service. **ONLY CONTRACTORS APPROVED BY THE UTILITY MAY CONSTRUCT LINES OR MAKE CONNECTION TO UTILITY PROPERTY. SUCH CONDUCT BY UNAPPROVED CONTRACTORS, OR FAILURE OF THE PROPERTY OWNER TO LEAVE LINES EXPOSED UNTIL INSPECTED, WILL RESULT IN UTILITY RE-EXCAVATING SAID LINES FOR THE SOLE PURPOSE OF INSPECTION. CUSTOMER, PRIOR TO RECEIVING SERVICE, MUST PAY ALL COSTS INCURRED BY THE UTILITY AS A RESULT OF SUCH RE-EXCAVATION AND INSPECTION.**

- (1.) Customer agrees to provide at least 48 hours notice PRIOR to connection of service and agrees that all fees due are payable to the Utility prior to connection of service. UPON COMMENCEMENT OF CONSTRUCTION, ALL LINES INSTALLED BY CUSTOMER'S CONTRACTOR WILL BE LEFT EXPOSED UNTIL INSPECTION AND APPROVAL OF UTILITY. IF COVERED, THE CUSTOMER WILL BE REQUIRED TO EXPOSE ALL LINES PRIOR TO INITIATION OF SERVICE..**
- (2.) Customer agrees not to use any service to be provided by Utility prior to notice to Utility of intended connection, prior to installation of approved delivery systems and acceptance by the Utility of the proposed service. Connection, or use of service, without permission by the Utility may result in criminal prosecution.**
- (3.) Utility agrees to provide State approved water and sewer services and Customer agrees to install all service lines according to specifications required by the Utility and the State of Missouri. FAILURE TO INSTALL LINES ACCORDING TO SPECIFICATIONS OF THE UTILITY WILL PREVENT COMMENCEMENT OR CONTINUATION OF SERVICE. FURTHER, CUSTOMER WILL PAY ALL FEES, ASSESSMENTS, OR OTHER COSTS IMPOSED BY ANY SUBDIVISION OR**

GOVERNMENTAL ENTITY. Customer will hold Utility harmless from any fees, assessments, maintenance obligations or other costs imposed by any party other than the Missouri Public Service Commission.

- (4.) All individual lift stations for sewer service are to be purchased from the Utility and installed by the Customer. Lift stations that are not approved by the Utility, or purchased from the Utility, will not be maintained by the Utility.
- (5.) **DUE TO PENDING, OR THREATENED, LITIGATION AND APPLICATIONS ON FILE WITH THE MISSOURI PUBLIC SERVICE COMMISSION, ALL MATTERS SET FORTH HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE.**

**AGREED:
CUSTOMER:**

**UTILITY:
WARREN COUNTY WATER & SEWER CO.**

**LOT:
SUBDIVISION:**

BY: _____
GARY L. SMITH, PRESIDENT

ADDRESS: _____

FORISTELL, MO 63348

DATED: _____, 2000



Kandey

Commissioners

SHEILA LUMPE
Chair

HAROLD CRUMPTON

CONNIE MURRAY

ROBERT G. SCHEMENAUER

M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.ecodev.state.mo.us/psc/>

GORDON L. PERSINGER
Acting Executive Director
Director, Research and Public Affairs

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

August 27, 1999

Mr. Gary L. Smith
President
Warren County Water & Sewer Company
2615 Fairway Drive
Foristell, Missouri 63348

RE: Warren County Water & Sewer Company
Request for Increase in Water & Sewer Rates
Informal Rate Case Procedure
Mo. PSC Tariff File Nos. 9900787 (Water) and 9900800 (Sewer)

Dear Mr. Smith:

Regarding the above-referenced subject, enclosed for your review and comment are the following documents:

- (1) the Staff's water operations revenue requirement accounting run, and related supporting documents, for the Company operations without the new elevated storage tank being in service;
- (2) the Staff's water operations revenue requirement accounting run, and related supporting documents, for the Company operations with the new elevated storage tank being in service; and
- (3) the Staff's sewer revenue requirement accounting run and related supporting documents.

As shown on the first page of the sewer operations revenue requirement accounting run, the Staff's audit shows the need for an increase in the Company's annual sewer revenues of \$7,611.

Schedule KKB-16.1

Also as shown on the first page of the water operations revenue requirement accounting run (**without** the new elevated storage tank), the Staff's audit shows the need for a decrease in the Company's annual water revenues of \$16,487.

These two figures (above) represent the utility's current revenue requirement needs under existing operations and existing rates.

Once the Company places the new elevated storage tank in service, the water service revenue requirement should be increased from approximately a negative \$16,487 to approximately a positive \$12,047. To assist the Company in obtaining timely recovery of the new elevated storage tank, the Staff's accounting department has stated it will perform an update (true-up) of its review as soon as the tank is operational.

At this time, Staff recommends that the rate investigations be extended by the Company beyond the 150 day time line of the informal rate proceeding until such time that the new elevated storage tank is operational and placed in service.

At such time that the true-up audit is performed, absent any material changes in operations or costs to the plant, the Staff would recommend the resulting increases to rates be implemented.

You have mentioned that you have had some problems in the past with financing the new elevated storage tank. Staff will make itself available to discuss the rate making and its recommendation with any lending institution you need assistance with. Please contact me to coordinate such Staff assistance.

If you agree with the Staff's proposed extension of this case until such time that the new elevated storage tank is completed and operational, please send me a letter stating your agreement to extend the case beyond 150 days and until after the completion of the new elevated storage tank.

Small Company Rate Increase Procedure
Warren County Water & Sewer Company
File Nos. 9900787 Water & 9900800 Sewer
August 27, 1999

Page 3 of 3

Please feel free to contact me by telephone at (573) 751-3437 if you have questions about any of the enclosed documents or if you need additional information. Please respond to me in writing on or before September 3, 1999 about whether you agree with the Staff's proposals and/or have counter proposals you wish us to consider.

I am also providing this same information to the Office of the Public Counsel (OPC) for review and comment. After hearing back from you and the OPC, I will schedule a meeting or telephone conference between the Company, the Staff and the OPC to discuss the resolution of the Company's rate increase requests.

Sincerely,



Wendell R. "Randy" Hubbs
Assistant Manager - Rates
Water and Sewer Department

Enclosures

copy
Mark Comley - Attorney for Warren County Water & Sewer Company

copy (letter only):

Jim Schwieterman
Jim Russo
Amanda McMellen
Mark Oligschlaeger
Joan Wandel
Keith Krueger
Jolie Mathis
David Broadwater
Ron Bible
Arlie Smith
Jim Merciel
Dale Johansen

Schedule KKB-16.3

Current sewer

COPY

Accounting Schedule: 1

Russo

15:34 08/17/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

FILE COPY

Revenue Requirement

Line		9.99%
		Return
(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 39,252
2	Rate of Return	9.99%
3	Net Operating Income Requirement	\$ 3,921
4	Net Income Available (Sch 8)	\$ (3,343)
5	Additional NOI/RT Needed	\$ 7,264
6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 347
8	Test Year Current Income Tax	\$ 0
9	Additional Current Tax Required	\$ 347
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0
12	Additional Deferred ITC Required	\$ 0
13	Total Additional Tax Required	\$ 347
14	Gross Revenue Requirement	\$ 7,611

Accounting Schedule: I-1

Schedule KKB-16.4

Accounting Schedule: 2

Russo

14:17 08/09/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 51,520
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 12,268

3 Net Plant in Service	\$ 39,252
Add to Net Plant in Service	
4 Cash Working Capital (Sch)	\$ 0
Subtract from Net Plant	
5 Federal Tax Offset 0.0000 %	\$ 0
6 State Tax Offset 0.0000 %	0
7 City Tax Offset 0.0000 %	0
8 Interest Expense Offset 0.0000 %	0
9 Contribution in aid of Construction	0

10 Total Rate Base	\$ 39,252
=====	

Accounting Schedule: 2-1

Schedule KKB-16.5

Accounting Schedule: 3

Russo

14:17 08/09/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Collection Plant					
1	351.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
2	352.100	Collection Sewers - Force	0	0	0
3	352.200	Collection Sewers - Gravity	0	0	0
4	353.000	Other Collection Plant	0	0	0
5	354.000	Services to Customers	0	0	0
6	355.000	Flow Measuring Devices	0	0	0
7		Total	\$ 0	\$ 0	\$ 0
System Pumping Plant					
8	361.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
9	362.000	Receiving Wells	0	0	0
10	363.000	Pumping Equipment	27,237	2,580 P-1	29,817
11		Total	\$ 27,237	\$ 2,580	\$ 29,817
Treatment & Disposal Plant					
12	371.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
13	373.000	Treatment & Disposal Facilities	5,247	0 P-2	5,247
14	374.000	Plant Sewers	0	0	0
15	375.000	Outfall Sewer Lines	0	0	0
16	376.000	Other Plant & Miscellaneous Equip	0	0	0
17		Total	\$ 5,247	\$ 0	\$ 5,247
General Plant					
18	391.000	Office Furniture & Equipment	\$ 3,085	338 P-3	\$ 3,423
19	392.000	Transportation Equipment	12,250	783 P-4	13,033
20		Total	\$ 15,335	\$ 1,121	\$ 16,456
21		Total Plant in Service	\$ 47,819	\$ 3,701	\$ 51,520

Accounting Schedule: 3-1

Schedule KKB-16.6

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Pumping Equipment P-1		\$ 2,580

1. To adjust plant in service for additions during the test year. (Russo)		\$ 2,580

Office Furniture & Equipment P-3		\$ 338

1. To adjust plant in service for additions during the test year. (Russo)		\$ 338

Transportation Equipment P-4		\$ 783

1. To capitalize sales taxes in the cost of a truck. (Russo)		\$ 783

Accounting Schedule: 5

Russo

14:17 08/09/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Collection Plant					
1	351.000	Land & Land Rights	\$ 0	0.0000	\$ 0
2	352.100	Collection Sewers - Force	0	2.0000	0
3	352.200	Collection Sewers - Gravity	0	2.0000	0
4	353.000	Other Collection Plant	0	4.0000	0
5	354.000	Services to Customers	0	2.0000	0
6	355.000	Flow Measuring Devices	0	3.3000	0
7		Total	\$ 0		\$ 0
System Pumping Plant					
8	361.000	Land & Land Rights	\$ 0	0.0000	\$ 0
9	362.000	Receiving Wells	0	5.0000	0
10	363.000	Pumping Equipment	29,817	10.0000	2,982
11		Total	\$ 29,817		\$ 2,982
Treatment & Disposal Plant					
12	371.000	Land & Land Rights	\$ 0	0.0000	\$ 0
13	373.000	Treatment & Disposal Facilities	5,247	4.5000	236
14	374.000	Plant Sewers	0	4.5000	0
15	375.000	Outfall Sewer Lines	0	2.0000	0
16	376.000	Other Plant & Miscellaneous Equip	0	5.0000	0
17		Total	\$ 5,247		\$ 236
General Plant					
18	391.000	Office Furniture & Equipment	\$ 3,423	5.0000	\$ 171
19	392.000	Transportation Equipment	13,033	13.0000	1,694
20		Total	\$ 16,456		\$ 1,865
21		Total Depreciation Expense	\$ 51,520		\$ 5,083

Accounting Schedule: 5-1

Schedule KKB-16.8

Accounting Schedule: 6

Russo

14:17 08/09/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
System Pumping Plant					
1	363.000	Pumping Equipment	\$ 4,837	\$ 1,362 R-1	\$ 6,199
2		Total	\$ 4,837	\$ 1,362	\$ 6,199
Treatment & Disposal Plant					
3	373.000	Treatment & Disposal Facilities	\$ 1,019	\$ 118 R-2	\$ 1,137
4		Total	\$ 1,019	\$ 118	\$ 1,137
General Plant					
5	391.000	Office Furniture & Equipment	\$ 1,168	\$ 77 R-3	\$ 1,245
6	392.000	Transportation Equipment	2,940	747 R-4	3,687
7		Total	\$ 4,108	\$ 824	\$ 4,932
8		Total Depreciation Reserve	\$ 9,964	\$ 2,304	\$ 12,268

Accounting Schedule: 6-1

Schedule KKB-16.9

Accounting Schedule: 7

Russo

14:17 08/09/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Adjustments to Depreciation Reserve

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Pumping Equipment R-1		\$ 1,362

1. To adjust depreciation reserve for depreciation expense through June 30, 1999. (Russo)		\$ 1,362

Treatment & Disposal Facilities R-2		\$ 118

1. To adjust depreciation reserve for depreciation expense through June 30, 1999. (Russo)		\$ 118

Office Furniture & Equipment R-3		\$ 77

1. To adjust depreciation reserve for depreciation expense through June 30, 1999. (Russo)		\$ 77

Transportation Equipment R-4		\$ 747

1. To adjust depreciation reserve for depreciation expense through June 30, 1999. (Russo)		\$ 747

Accounting Schedule: 7-1

Schedule KKB-16.10

Accounting Schedule: 8

Russo

15:34 08/17/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Income Statement

Line			Missouri	Jurisdictional		Adjusted
No	Acct	Description	Jurisdictional	Adjustment		Jurisdictional
		(A)	(B)	(C)		(D)
Operating Revenues						
1	522.100	Residential Revenues	\$ 42,212	\$ 3,936 S-1	\$	46,148
2	536.100	Connection Fees	6,150	0 S-2		6,150
3		Total	\$ 48,362	\$ 3,936	\$	52,298

Accounting Schedule: 8-1

Schedule KKB-16.11

Accounting Schedule: 8

Russo

15:34 08/17/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Operation & Maintenance Expense					
4	701.100	Salaries and Wages	\$ 12,000	\$ 0 S-3	\$ 12,000
5	711.000	Sludge Removal	4,965	0 S-4	4,965
6	715.000	Purchased Power	5,780	1,579 S-5	7,359
7	718.000	Chemicals	2,039	0 S-6	2,039
8	720.000	Materials and Supplies	113	0 S-7	113
9	720.100	M & S-Equipment Repair	48	0 S-8	48
10	720.200	M & S-Misc. Repair	1,946	0 S-9	1,946
11	720.300	M & S-Pump Repair	2,048	0 S-10	2,048
12	720.400	M & S-Treatment Plant Repair	823	0 S-11	823
13	731.000	Contractual Services-Professional	100	(100) S-12	0
14	735.000	Contractual Services-Testing	840	0 S-13	840
15	736.000	Contractual Service-Maintenance	2,121	0 S-14	2,121
16	736.100	Contractual Service-Outside	274	0 S-15	274
17	736.200	Contractual Service-Manhole	1,000	0 S-16	1,000
18	750.000	Transportation Expense	5,316	(3,033) S-17	2,283
19	755.000	Insurance Expense	4,041	(2,212) S-18	1,829
20	765.000	Regulatory Commission Expense	4,144	(190) S-19	3,954
21	770.000	Bad Debt Expense	1,135	0	1,135
22	775.100	Misc. Expense-Bank Charges	357	0 S-20	357
23	775.110	Miscell. Exp.-Billing	471	0 S-21	471
24	775.120	Misc. Expense-Office Supplies	579	0 S-22	579
25	775.130	Misc. Expense-Petty Cash	946	0 S-23	946
26	775.150	Misc. Exp-DNR	125	0 S-24	125
27	775.160	Misc. Exp-Training	25	0 S-25	25
28	775.140	Misc. Expense-Other	463	0 S-26	463
29	775.200	Misc. Expense-Telephone	1,127	0 S-27	1,127
30	775.300	Misc. Expense-Contribution	24	(24) S-28	0
31	775.400	Misc. Exp-Postage	474	0 S-29	474
32	775.500	Misc. Exp-Fuel	821	0 S-30	821
33	775.700	Misc. Exp-Tax Auto	783	(783) S-31	0
34	775.710	Misc. Exp-Property Tax	306	(7) S-32	299
35	775.730	Misc. Exp-State Tax	94	0 S-33	94
36		Total	\$ 55,328	\$ (4,770)	\$ 50,558
Depreciation Expense					
37		Depreciation Expense	\$ 5,665	\$ (582) S-34	\$ 5,083
38		Total	\$ 5,665	\$ (582)	\$ 5,083

Accounting Schedule: 8-2

Schedule KKB-16.12

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
39		Other Operating Expenses	\$ 0	\$ 0	\$ 0
40		Total Operating Expenses	\$ 60,993	\$ (5,352)	\$ 55,641
41		Net Income Before Taxes	\$ (12,631)	\$ 9,288	\$ (3,343)
Current Income Taxes					
42		Current Income Taxes	\$ 0	\$ 0	\$ 0
43		Total	\$ 0	\$ 0	\$ 0
Deferred Income Taxes					
44		Deferred Income Taxes	\$ 0	\$ 0	\$ 0
45		Total	\$ 0	\$ 0	\$ 0
46		Total Income Taxes	\$ 0	\$ 0	\$ 0
47		Net Operating Income	\$ (12,631)	\$ 9,288	\$ (3,343)

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Residential Revenues S-1		\$ 3,936

1. To annualize residential revenue based on the level of current customers. (Russo)		\$ 3,936

Purchased Power S-5		\$ 1,579

1. To adjust purchased power expense to the actual amount billed during the test year. (Russo)		\$ 951
2. To adjust purchased power expense for annualized customer growth. (Russo)		\$ 628

Contractual Services-Professional S-12		\$ (100)

1. To eliminate Aqua Source acquisition costs. (Russo)		\$ (50)
2. To eliminate rate case consultant fees. (Russo)		\$ (50)

Transportation Expense S-17		\$ (3,033)

1. To eliminate payments for truck included in rate base. (Russo)		\$ (3,033)

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Insurance Expense S-18		\$ (2,212)

1. Eliminate voided check. (Russo)		\$ (718)
2. Eliminate old medical insurance policy. (Russo)		\$ (2,574)
3. Add new medical insurance policy expense. (Russo)		\$ 1,080

Regulatory Commission Expense S-19		\$ (190)

1. Adjust Regulatory Commission Expense to actual amount. (Russo)		\$ (190)

Misc. Expense-Contribution S-28		\$ (24)

1. Eliminate political contribution. (Russo)		\$ (24)

Misc. Exp-Tax Auto S-31		\$ (783)

1. Eliminate sales tax on truck and reclassify in plant. (Russo)		\$ (783)

Misc. Exp-Property Tax S-32		\$ (7)

1. To annualize the property tax expense. (Russo)		\$ (7)

Accounting Schedule: 9

Russo

15:34 08/17/1999

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Depreciation Expense S-34		\$ (582)

1. To annualize depreciation expense.		\$ (582)

Current Income Taxes S-35		

1. To annualize current income taxes.		

Accounting Schedule: 9-3

Schedule KKB-16.16

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Income Tax

Line		Test Year	9.99% Return
(A)		(B)	
1	Net Income Before Taxes (Sch 8)	\$ (3,343)	\$ 4,268
	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 5,083	\$ 5,083
3	Total	\$ 5,083	\$ 5,083
	Subtr from Net Income Before Taxes		
4	Interest Expense 6.4400 %	\$ 2,528	\$ 2,528
5	Book Depreciation	5,083	5,083
6	Total	\$ 7,611	\$ 7,611
7	Net Taxable Income	\$ (5,871)	\$ 1,740
	Provision for Federal Income Tax		
8	Net Taxable Income	\$ (5,871)	\$ 1,740
9	Deduct Missouri Income Tax 100.0 %	\$ 0	\$ 101
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	(5,871)	1,639
12	Total Federal Tax	\$ 0	\$ 246
	Provision for Missouri Income Tax		
13	Net Taxable Income	\$ (5,871)	\$ 1,740
14	Deduct Federal Income Tax 50.0 %	\$ 0	\$ 123
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	(5,871)	1,617
17	Total Missouri Tax	\$ 0	\$ 101

Warren County Water and Sewer Company

Case: SR-99-900A

Year ending June 30, 1999

Income Tax

Line		Test Year	9.99% Return
(A)	(B)		
	Provision for City Income Tax		
18	Net Taxable Income	\$ (5,871)	\$ 1,740
19	Deduct Federal Income Tax	\$ 0	\$ 246
20	Deduct Missouri Income Tax	0	101
21	City Taxable Income	(5,871)	1,393
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 0	\$ 246
24	Missouri Income Tax	0	101
25	City Income Tax	0	0
26	Total	\$ 0	\$ 347
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
28	Total	\$ 0	\$ 0
29	Total Income Tax	\$ 0	\$ 347

current water

Accounting Schedule: 1

McMellen

14:11 08/09/1999

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

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Revenue Requirement

Line		11.00%
		Return
(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 23,273
2	Rate of Return	11.00%
3	Net Operating Income Requirement	\$ 2,560
4	Net Income Available (Sch 8)	\$ 15,749
5	Additional NOI/RT Needed	\$ (13,189)
6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 638
8	Test Year Current Income Tax	\$ 3,922
9	Additional Current Tax Required	\$ (3,284)
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0
12	Additional Deferred ITC Required	\$ 0
13	Total Additional Tax Required	\$ (3,284)
14	Gross Revenue Requirement	\$ (16,473)

Accounting Schedule: 1-1

Schedule KKB-16.19

Accounting Schedule: 2
McMellen
14:11 08/09/1999

Warren County Water and Sewer Company
Case: WR-99-900
Year Ending June 30, 1999

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 32,620
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 9,347

3 Net Plant in Service	\$ 23,273
Add to Net Plant in Service	
4 Cash Working Capital (Sch)	\$ 0
Subtract from Net Plant	
5 Federal Tax Offset 0.0000 %	\$ 0
6 State Tax Offset 0.0000 %	0
7 City Tax Offset 0.0000 %	0
8 Interest Expense Offset 0.0000 %	0
9 Contribution in aid of Construction	0

10 Total Rate Base	\$ 23,273
=====	

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	310.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
2	311.000	Structures & Improvements	0	568 P-1	568
3	314.000	Wells & Springs	0	0	0
4	325.000	Electric Pumping Equipment	13,592	0	13,592
5		Total	\$ 13,592	\$ 568	\$ 14,160
Water Treatment Plant					
6	332.000	Water Treatment Equipment	\$ 1,419	\$ 584 P-2	\$ 2,003
7		Total	\$ 1,419	\$ 584	\$ 2,003
Transmission & Distribution Plant					
8	340.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
9	341.000	Structures & Improvements	0	0	0
10	342.000	Distribution Reservoirs & Standpipe	0	0	0
11	343.000	Transmission & Distribution Mains	0	0	0
12	345.000	Services	0	0	0
13	346.000	Meters & Meter Installations	0	0	0
14	348.000	Hydrants	0	0	0
15		Total	\$ 0	\$ 0	\$ 0
General Plant					
16	391.000	Office Furniture & Equipment	\$ 3,086	\$ 337 P-3	\$ 3,423
17	392.000	Transportation Equipment	12,250	784 P-4	13,034
18		Total	\$ 15,336	\$ 1,121	\$ 16,457
19		Total Plant In Service	\$ 30,347	\$ 2,273	\$ 32,620

Accounting Schedule: 4
 McMellen
 14:12 08/09/1999

Warren County Water and Sewer Company
 Case: WR-99-900
 Year Ending June 30, 1999

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
.....		
Structures & Improvements P-1		\$ 568
.....		
1. To include improvements. (McMellen)		\$ 568
.....		
Water Treatment Equipment P-2		\$ 584
.....		
1. To bring plant balance to end of test year. (McMellen)		\$ 584
.....		
Office Furniture & Equipment P-3		\$ 337
.....		
1. To bring plant balance to end of test year. (McMellen)		\$ 337
.....		
Transportation Equipment P-4		\$ 784
.....		
1. To include sales tax on the truck. (McMellen)		\$ 784

Accounting Schedule: 5
McMellen
14:12 08/09/1999

Warren County Water and Sewer Company
Case: WR-99-900
Year Ending June 30, 1999

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	310.000	Land & Land Rights	\$ 0	0.0000	\$ 0
2	311.000	Structures & Improvements	568	2.5000	14
3	314.000	Wells & Springs	0	2.0000	0
4	325.000	Electric Pumping Equipment	13,592	10.0000	1,359
5		Total	\$ 14,160		\$ 1,373
Water Treatment Plant					
6	332.000	Water Treatment Equipment	\$ 2,003	2.9000	\$ 58
7		Total	\$ 2,003		\$ 58
Transmission & Distribution Plant					
8	340.000	Land & Land Rights	\$ 0	0.0000	\$ 0
9	341.000	Structures & Improvements	0	2.5000	0
10	342.000	Distribution Reservoirs & Standpipe	0	2.5000	0
11	343.000	Transmission & Distribution Mains	0	2.0000	0
12	345.000	Services	0	2.9000	0
13	346.000	Meters & Meter Installations	0	2.7000	0
14	348.000	Hydrants	0	2.5000	0
15		Total	\$ 0		\$ 0
General Plant					
16	391.000	Office Furniture & Equipment	\$ 3,423	5.0000	\$ 171
17	392.000	Transportation Equipment	13,034	13.0000	1,694
18		Total	\$ 16,457		\$ 1,865
19		Total Depreciation Expense	\$ 32,620		\$ 3,296

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	311.000	Structures & Improvements	\$ 0	\$ 0	\$ 0
2	314.000	Wells & Springs	0	0	0
3	325.000	Electric Pumping Equipment	2,718	680 R-1	3,398
4		Total	\$ 2,718	\$ 680	\$ 3,398
Water Treatment Plant					
5	332.000	Water Treatment Equipment	\$ 946	\$ 21 R-2	\$ 967
6		Total	\$ 946	\$ 21	\$ 967
Transmission & Distribution Plant					
7	341.000	Structures & Improvements	\$ 0	\$ 0	\$ 0
8	342.000	Distribution Reservoirs & Standpipe	0	0	0
9	343.000	Transmission & Distribution Mains	0	0	0
10	345.000	Services	0	0	0
11	346.000	Meters & Meter Installations	0	0	0
12	348.000	Hydrants	0	0	0
13		Total	\$ 0	\$ 0	\$ 0
General Plant					
14	391.000	Office Furniture & Equipment	\$ 1,168	\$ 77 R-3	\$ 1,245
15	392.000	Transportation Equipment	2,941	796 R-4	3,737
16		Total	\$ 4,109	\$ 873	\$ 4,982
17		Total Depreciation Reserve	\$ 7,773	\$ 1,574	\$ 9,347

Accounting Schedule: 7
McMellen
14:12 08/09/1999

Warren County Water and Sewer Company
Case: WR-99-900
Year Ending June 30, 1999

Adjustments to Depreciation Reserve

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Electric Pumping Equipment R-1		\$ 680

1. To bring reserve balance to end of test year. (McMellen)		\$ 680

Water Treatment Equipment R-2		\$ 21

1. To bring reserve balance to end of test year. (McMellen)		\$ 21

Office Furniture & Equipment R-3		\$ 77

1. To bring reserve balance to end of test year. (McMellen)		\$ 77

Transportation Equipment R-4		\$ 796

1. To bring reserve balance to end of test year. (McMellen)		\$ 796

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Operating Revenues					
1	461.100	Metered Sales-Residential Customers \$	53,703	\$ 6,620 S-1	\$ 60,323
2	474.100	Other Revenues- Connection Fees	12,000	0	12,000
3	474.200	Other Revenues- Late Charges	1,418	0	1,418
4	474.300	Other Revenues- Reconnection Fees	360	0	360
5	474.400	Other Revenues-MO State Primacy Fee	442	0	442
6		Total	\$ 67,923	\$ 6,620	\$ 74,543
Operation & Maintenance Expense					
7	601.000	Salaries and Wages- Employees \$	12,000	\$ 0	\$ 12,000
8	615.000	Purchased Power	2,016	845 S-2	2,861
9	618.000	Chemicals	2,184	0	2,184
10	620.000	Materials and Supplies	226	0	226
11	631.100	Contractual Services- Prof. Consult	100	(100) S-3	0
12	631.200	Contractual Services- Prof. Legal	2,347	(1,809) S-4	538
13	635.000	Contractual Services- Testing	247	0	247
14	636.100	Contractual Services- Other Outside	548	0	548
15	636.200	Contractual Services- Other Maint	1,271	0	1,271
16	650.100	Transportation Expense-Gas for Auto	1,377	0	1,377
17	650.200	Transportation Expense- Auto Repair	907	0	907
18	650.300	Transportation Expense- Other Auto	3,033	(3,033) S-5	0
19	655.100	Insurance Expense- Liability	1,437	(719) S-6	718
20	655.200	Insurance Expense- Life	1,255	(1,255) S-7	0
21	655.300	Insurance Expense- Medical	2,575	(1,495) S-8	1,080
22	665.100	Regulatory Commission Exp.- MO PSC	527	(224) S-9	303
23	670.000	Bad Debt Expense	1,390	0	1,390
24	675.100	Misc. Expense- Bank Charges	358	0	358
25	675.110	Misc. Expense- Water Line Repair	5,176	(600) S-10	4,576
26	675.120	Misc. Expense- Postage	474	0	474
27	675.130	Misc. Expense- Auto Taxes	784	(784) S-11	0
28	675.140	Misc. Expense- Property Taxes	2,754	(483) S-12	2,271
29	675.150	Misc. Expense- State Taxes	94	0	94
30	675.160	Misc. Expense- MO State Primacy Fee	442	0	442
31	675.170	Misc. Expense- Telephone	1,128	0	1,128
32	675.180	Misc. Expense- Office Supplies	580	0	580
33	675.190	Misc. Expense- Fuel	822	0	822
34	675.200	Misc. Expense- Contribution	25	(25) S-13	0
35	675.210	Misc. Expense- MO DNR	516	0	516
36	675.220	Misc. Expense- Loan Interest	815	(815) S-14	0

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
37	675.230	Misc. Expense- Other Interest	917	(917) S-15	0
38	675.300	Misc. Expense- Dues	100	0	100
39	675.400	Misc. Expense- Licenses	35	0	35
40	675.500	Misc. Expense- Billing	472	0	472
41	675.600	Misc. Expense- Equipment Repair	261	0	261
42	675.700	Misc. Expense- Meters/Connection	8,685	(476) S-16	8,209
43	675.800	Misc. Expense- Misc. Repair	3,578	(568) S-17	3,010
44	675.900	Misc. Expense- Pump Repair	2,578	0	2,578
45		Total	\$ 64,034	\$ (12,458)	\$ 51,576
Depreciation Expense					
46		Depreciation Expense	\$ 5,666	\$ (2,370) S-18	\$ 3,296
47		Total	\$ 5,666	\$ (2,370)	\$ 3,296

48		Other Operating Expenses	\$ 0	\$ 0	\$ 0

49		Total Operating Expenses	\$ 69,700	\$ (14,828)	\$ 54,872

50		Net Income Before Taxes	\$ (1,777)	\$ 21,448	\$ 19,671

Current Income Taxes					
51		Current Income Taxes	\$ 0	\$ 3,922 S-19	\$ 3,922
52		Total	\$ 0	\$ 3,922	\$ 3,922
Deferred Income Taxes					
53		Deferred Income Taxes	\$ 0	\$ 0 S-20	\$ 0
54		Total	\$ 0	\$ 0	\$ 0

55		Total Income Taxes	\$ 0	\$ 3,922	\$ 3,922

Accounting Schedule: 8

McMellen

14:11 08/09/1999

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Income Statement

Line			Missouri	Jurisdictional	Adjusted
No	Acct	Description	Jurisdictional	Adjustment	Jurisdictional
(A)			(B)	(C)	(D)

56		Net Operating Income	\$ (1,777)	\$ 17,526	\$ 15,749

Accounting Schedule: 8-3

Schedule KKB-16.28

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Metered Sales-Residential Customers S-1		\$ 6,620

1. To annualize sales. (McMellen)		\$ 6,620

Purchased Power S-2		\$ 845

1. To bring to actual test year amount. (McMellen)		\$ 673
2. To annualize purchase power costs based on annualized customers. (McMellen)		\$ 172

Contractual Services- Prof. Consult S-3		\$ (100)

1. To eliminate consultation on selling to AquaSource. (McMellen)		\$ (50)
2. To eliminate consultation fees unnecessary for rate case. (McMellen)		\$ (50)

Contractual Services- Prof. Legal S-4		\$ (1,809)

1. To adjust legal expense for allowable costs. (McMellen)		\$ (1,809)

Transportation Expense- Other Auto S-5		\$ (3,033)

1. To eliminate misc. expense for other auto. (McMellen)		\$ (3,033)

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Insurance Expense- Liability S-6		\$ (719)

1. To eliminate duplicate entry. (McMellen)		\$ (719)

Insurance Expense- Life S-7		\$ (1,255)

1. To eliminate life insurance related to the unbuilt tower. (McMellen)		\$ (1,225)
2. To eliminate life insurance where the wife is the beneficiary. (McMellen)		\$ (30)

Insurance Expense- Medical S-8		\$ (1,495)

1. To eliminate medical expenses paid after insurance. (McMellen)		\$ (2,575)
2. To include a new insurance policy. (McMellen)		\$ 1,080

Regulatory Commission Exp.- MO PSC S-9		\$ (224)

1. To bring to actual assessment for the test year. (McMellen)		\$ (224)

Misc. Expense- Water Line Repair S-10		\$ (600)

1. To eliminate duplicate entry. (McMellen)		\$ (600)

Warren County Water and Sewer Company
Case: WR-99-900
Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Misc. Expense- Auto Taxes S-11		\$ (784)

1. To eliminate misc. expense that is to be in general plant- transportation. (McMellen)		\$ (784)

Misc. Expense- Property Taxes S-12		\$ (483)

1. To eliminate taxes paid for previous years. (McMellen)		\$ (432)
2. To eliminate taxes on land for the unbuilt tower. (McMellen)		\$ (51)

Misc. Expense- Contribution S-13		\$ (25)

1. To eliminate an unallowable contribution. (McMellen)		\$ (25)

Misc. Expense- Loan Interest S-14		\$ (815)

1. To eliminate unallowable interest. (McMellen)		\$ (815)

Misc. Expense- Other Interest S-15		\$ (917)

1. To eliminate unallowable interest. (McMellen)		\$ (917)

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Misc. Expense- Meters/Connection S-16		\$ (476)

1. To eliminate duplicate entry. (McMellen)		\$ (339)
2. To eliminate duplicate entry. (McMellen)		\$ (137)

Misc. Expense- Misc. Repair S-17		\$ (568)

1. To eliminate improvements to be capitalized. (McMellen)		\$ (568)

Depreciation Expense S-18		\$ (2,370)

1. To annualize depreciation expense. (McMellen)		\$ (2,370)

Current Income Taxes S-19		\$ 3,922

1. To annualize current income taxes. (McMellen)		\$ 3,922

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Income Tax

Line		Test Year	11.00% Return
(A)		(B)	
1	Net Income Before Taxes (Sch 8)	\$ 19,671	\$ 3,198
	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 3,296	\$ 3,296
3	Total	\$ 3,296	\$ 3,296
	Subtr from Net Income Before Taxes		
4	Interest Expense 0.0000 %	\$ 0	\$ 0
5	Book Depreciation	3,296	3,296
6	Total	\$ 3,296	\$ 3,296
7	Net Taxable Income	\$ 19,671	\$ 3,198
	Provision for Federal Income Tax		
8	Net Taxable Income	\$ 19,671	\$ 3,198
9	Deduct Missouri Income Tax 100.0 %	\$ 1,143	\$ 186
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	18,528	3,012
12	Total Federal Tax	\$ 2,779	\$ 452
	Provision for Missouri Income Tax		
13	Net Taxable Income	\$ 19,671	\$ 3,198
14	Deduct Federal Income Tax 50.0 %	\$ 1,390	\$ 226
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	18,282	2,972
17	Total Missouri Tax	\$ 1,143	\$ 186

Warren County Water and Sewer Company

Case: WR-99-900

Year Ending June 30, 1999

Income Tax

Line		Test Year	11.00% Return
	(A)	(B)	
	Provision for City Income Tax		
18	Net Taxable Income	\$ 19,671	\$ 3,198
19	Deduct Federal Income Tax	\$ 2,779	\$ 452
20	Deduct Missouri Income Tax	1,143	186
21	City Taxable Income	15,749	2,560
		-----	-----
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 2,779	\$ 452
24	Missouri Income Tax	1,143	186
25	City Income Tax	0	0
		-----	-----
26	Total	\$ 3,922	\$ 638
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
		-----	-----
28	Total	\$ 0	\$ 0

29	Total Income Tax	\$ 3,922	\$ 638

water with new plant

Accounting Schedule: 1

McMellen

10:38 08/17/1999

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Revenue Requirement

FILE COPY

Line 9.99%
Return

(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 240,418
2	Rate of Return	9.99%

3	Net Operating Income Requirement	\$ 24,018
4	Net Income Available (Sch 8)	\$ 14,096

5	Additional NOI BT Needed	\$ 9,922

6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 2,125
8	Test Year Current Income Tax	\$ 0

9	Additional Current Tax Required	\$ 2,125

10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0

12	Additional Deferred ITC Required	\$ 0

13	Total Additional Tax Required	\$ 2,125

14	Gross Revenue Requirement	\$ 12,047

Accounting Schedule: 1-1

Schedule KKB-16.35

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Rate Base

Line Description		Amount
(A)	(B)	
1 Total Plant in Service (Sch 3)	\$	251,339
Subtract from Total Plant		
2 Depreciation Reserve (Sch 6)	\$	10,921

3 Net Plant in Service	\$	240,418
Add to Net Plant in Service		
4 Cash Working Capital (Sch)	\$	0
Subtract from Net Plant		
5 Federal Tax Offset 0.0000 %	\$	0
6 State Tax Offset 0.0000 %		0
7 City Tax Offset 0.0000 %		0
8 Interest Expense Offset 0.0000 %		0
9 Contribution in aid of Construction		0

10 Total Rate Base	\$	240,418
		=====

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	310.000	Land & Land Rights	\$ 0	\$ 0	\$ 0
2	311.000	Structures & Improvements	0	568 P-1	568
3	314.000	Wells & Springs	0	0	0
4	325.000	Electric Pumping Equipment	13,592	0	13,592
5		Total	\$ 13,592	\$ 568	\$ 14,160
Water Treatment Plant					
6	332.000	Water Treatment Equipment	\$ 1,419	\$ 584 P-2	\$ 2,003
7		Total	\$ 1,419	\$ 584	\$ 2,003
Transmission & Distribution Plant					
8	340.000	Land & Land Rights	\$ 0	\$ 44,723 P-5	\$ 44,723
9	341.000	Structures & Improvements	0	7,207 P-6	7,207
10	342.000	Distribution Reservoirs & Standpipe	0	166,789 P-7	166,789
11	343.000	Transmission & Distribution Mains	0	0	0
12	345.000	Services	0	0	0
13	346.000	Meters & Meter Installations	0	0	0
14	348.000	Hydrants	0	0	0
15		Total	\$ 0	\$ 218,719	\$ 218,719
General Plant					
16	391.000	Office Furniture & Equipment	\$ 3,086	\$ 337 P-3	\$ 3,423
17	392.000	Transportation Equipment	12,250	784 P-4	13,034
18		Total	\$ 15,336	\$ 1,121	\$ 16,457
19		Total Plant In Service	\$ 30,347	\$ 220,992	\$ 251,339

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Structures & Improvements P-1		\$ 568

1. To include improvements. (McMellen)		\$ 568

Water Treatment Equipment P-2		\$ 584

1. To bring plant balance to end of test year. (McMellen)		\$ 584

Office Furniture & Equipment P-3		\$ 337

1. To bring plant balance to end of test year. (McMellen)		\$ 337

Transportation Equipment P-4		\$ 784

1. To include sales tax on the truck. (McMellen)		\$ 784

Land & Land Rights P-5		\$ 44,723

1. To include the cost of land and legal costs in plant in service. (McMellen)		\$ 44,723

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Structures & Improvements P-6		\$ 7,207

1. To include the cost of fencing for new water tower. (McMellen)		\$ 7,207

Distribution Reservoirs & Standpipe P-7		\$ 166,789

1. To include the cost of the new tower in plant in service. (McMellen)		\$ 166,789

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	310.000	Land & Land Rights	\$ 0	0.0000	\$ 0
2	311.000	Structures & Improvements	568	2.5000	14
3	314.000	Wells & Springs	0	2.0000	0
4	325.000	Electric Pumping Equipment	13,592	10.0000	1,359
5		Total	\$ 14,160		\$ 1,373
Water Treatment Plant					
6	332.000	Water Treatment Equipment	\$ 2,003	2.9000	\$ 58
7		Total	\$ 2,003		\$ 58
Transmission & Distribution Plant					
8	340.000	Land & Land Rights	\$ 44,723	0.0000	\$ 0
9	341.000	Structures & Improvements	7,207	2.5000	180
10	342.000	Distribution Reservoirs & Standpipe	166,789	2.5000	4,170
11	343.000	Transmission & Distribution Mains	0	2.0000	0
12	345.000	Services	0	2.9000	0
13	346.000	Meters & Meter Installations	0	2.7000	0
14	348.000	Hydrants	0	2.5000	0
15		Total	\$ 218,719		\$ 4,350
General Plant					
16	391.000	Office Furniture & Equipment	\$ 3,423	5.0000	\$ 171
17	392.000	Transportation Equipment	13,034	13.0000	1,694
18		Total	\$ 16,457		\$ 1,865
19		Total Depreciation Expense	\$ 251,339		\$ 7,646

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	311.000	Structures & Improvements	\$ 0	\$ 0	\$ 0
2	314.000	Wells & Springs	0	0	0
3	325.000	Electric Pumping Equipment	2,718	1,360 R-1	4,078
4		Total	\$ 2,718	\$ 1,360	\$ 4,078
Water Treatment Plant					
5	332.000	Water Treatment Equipment	\$ 946	\$ 42 R-2	\$ 988
6		Total	\$ 946	\$ 42	\$ 988
Transmission & Distribution Plant					
7	341.000	Structures & Improvements	\$ 0	\$ 0	\$ 0
8	342.000	Distribution Reservoirs & Standpipe	0	0	0
9	343.000	Transmission & Distribution Mains	0	0	0
10	345.000	Services	0	0	0
11	346.000	Meters & Meter Installations	0	0	0
12	348.000	Hydrants	0	0	0
13		Total	\$ 0	\$ 0	\$ 0
General Plant					
14	391.000	Office Furniture & Equipment	\$ 1,168	\$ 154 R-3	\$ 1,322
15	392.000	Transportation Equipment	2,941	1,592 R-4	4,533
16		Total	\$ 4,109	\$ 1,746	\$ 5,855
17		Total Depreciation Reserve	\$ 7,773	\$ 3,148	\$ 10,921

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Depreciation Reserve

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Electric Pumping Equipment R-1		\$ 1,360

1. To bring reserve balance to end of test year. (McMellen)		\$ 680
2. To bring reserve balance to December 31, 1999. (McMellen)		\$ 680

Water Treatment Equipment R-2		\$ 42

1. To bring reserve balance to end of test year. (McMellen)		\$ 21
2. To bring reserve balance to December 31, 1999. (McMellen)		\$ 21

Office Furniture & Equipment R-3		\$ 154

1. To bring reserve balance to end of test year. (McMellen)		\$ 77
2. To bring reserve balance to December 31, 1999. (McMellen)		\$ 77

Transportation Equipment R-4		\$ 1,592

1. To bring reserve balance to end of test year. (McMellen)		\$ 796
2. To bring reserve balance to December 31, 1999. (McMellen)		\$ 796

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Operating Revenues					
1	461.100	Metered Sales-Residential Customers \$	53,703	\$ 6,620 S-1	\$ 60,323
2	474.100	Other Revenues- Connection Fees	12,000	0	12,000
3	474.200	Other Revenues- Late Charges	1,418	0	1,418
4	474.300	Other Revenues- Reconnection Fees	360	0	360
5	474.400	Other Revenues-MO State Primacy Fee	442	0	442
6		Total	\$ 67,923	\$ 6,620	\$ 74,543
Operation & Maintenance Expense					
7	601.000	Salaries and Wages- Employees \$	12,000	\$ 0	\$ 12,000
8	615.000	Purchased Power	2,016	845 S-2	2,861
9	618.000	Chemicals	2,184	0	2,184
10	620.000	Materials and Supplies	226	0	226
11	631.100	Contractual Services- Prof. Consult	100	(100) S-3	0
12	631.200	Contractual Services- Prof. Legal	2,347	(1,809) S-4	538
13	635.000	Contractual Services- Testing	247	0	247
14	636.100	Contractual Services- Other Outside	548	0	548
15	636.200	Contractual Services- Other Maint	1,271	0	1,271
16	650.100	Transportation Expense-Gas for Auto	1,377	0	1,377
17	650.200	Transportaion Expense- Auto Repair	907	0	907
18	650.300	Transportation Expense- Other Auto	3,033	(3,033) S-5	0
19	655.100	Insurance Expense- Liability	1,437	(719) S-6	718
20	655.200	Insurance Expense- Life	1,255	(30) S-7	1,225
21	655.300	Insurance Expense- Medical	2,575	(1,495) S-8	1,080
22	665.100	Regulatory Commission Exp.- MO PSC	527	(224) S-9	303
23	670.000	Bad Debt Expense	1,390	0	1,390
24	675.100	Misc. Expense- Bank Charges	358	0	358
25	675.110	Misc. Expense- Water Line Repair	5,176	(600) S-10	4,576
26	675.120	Misc. Expense- Postage	474	0	474
27	675.130	Misc. Expense- Auto Taxes	784	(784) S-11	0
28	675.140	Misc. Expense- Property Taxes	2,754	(483) S-12	2,271
29	675.150	Misc. Expense- State Taxes	94	0	94
30	675.160	Misc. Expense- MO State Primacy Fee	442	0	442
31	675.170	Misc. Expense- Telephone	1,128	0	1,128
32	675.180	Misc. Expense- Office Supplies	580	0	580
33	675.190	Misc. Expense- Fuel	822	0	822
34	675.200	Misc. Expense- Contribution	25	(25) S-13	0
35	675.210	Misc. Expense- MO DNR	516	0	516
36	675.220	Misc. Expense- Loan Interest	815	(815) S-14	0

Warren County Water and Sewer Company
Case: WR-99-900A
Year Ending June 30, 1999

Income Statement

Line No	Acct Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
(A)		(B)	(C)	(D)
37	675.230 Misc. Expense- Other Interest	917	(917) S-15	0
38	675.300 Misc. Expense- Dues	100	0	100
39	675.400 Misc. Expense- Licenses	35	0	35
40	675.500 Misc. Expense- Billing	472	0	472
41	675.600 Misc. Expense- Equipment Repair	261	0	261
42	675.700 Misc. Expense- Meters/Connection	8,685	(476) S-16	8,209
43	675.800 Misc. Expense- Misc. Repair	3,578	(568) S-17	3,010
44	675.900 Misc. Expense- Pump Repair	2,578	0	2,578
45	Total	\$ 64,034	\$ (11,233)	\$ 52,801
Depreciation Expense				
46	Depreciation Expense	\$ 5,666	\$ 1,980 S-18	\$ 7,646
47	Total	\$ 5,666	\$ 1,980	\$ 7,646

48	Other Operating Expenses	\$ 0	\$ 0	\$ 0

49	Total Operating Expenses	\$ 69,700	\$ (9,253)	\$ 60,447

50	Net Income Before Taxes	\$ (1,777)	\$ 15,873	\$ 14,096

Current Income Taxes				
51	Current Income Taxes	\$ 0	\$ 0 S-19	\$ 0
52	Total	\$ 0	\$ 0	\$ 0
Deferred Income Taxes				
53	Deferred Income Taxes	\$ 0	\$ 0 S-20	\$ 0
54	Total	\$ 0	\$ 0	\$ 0

55	Total Income Taxes	\$ 0	\$ 0	\$ 0

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Income Statement

Line			Missouri	Jurisdictional	Adjusted
No	Acct	Description	Jurisdictional	Adjustment	Jurisdictional
(A)			(B)	(C)	(D)

56		Net Operating Income	\$ (1,777)	\$ 15,873	\$ 14,096

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Metered Sales-Residential Customers S-1		\$ 6,620

1. To annualize sales. (McMellen)		\$ 6,620

Purchased Power S-2		\$ 845

1. To bring to actual test year amount. (McMellen)		\$ 673
2. To annualize purchase power costs based on annualized customers. (McMellen)		\$ 172

Contractual Services- Prof. Consult S-3		\$ (100)

1. To eliminate consultation on selling to AquaSource. (McMellen)		\$ (50)
2. To eliminate consultation fees unnecessary for rate case. (McMellen)		\$ (50)

Contractual Services- Prof. Legal S-4		\$ (1,809)

1. To adjust legal expense for allowable costs. (McMellen)		\$ (1,809)

Transportation Expense- Other Auto S-5		\$ (3,033)

1. To eliminate misc. expense for other auto. (McMellen)		\$ (3,033)

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Insurance Expense- Liability S-6		\$ (719)

1. To eliminate duplicate entry. (McMellen)		\$ (719)

Insurance Expense- Life S-7		\$ (30)

1. To eliminate life insurance related to the unbuilt tower. (McMellen)		
2. To eliminate life insurance where the wife is the beneficiary. (McMellen)		\$ (30)

Insurance Expense- Medical S-8		\$ (1,495)

1. To eliminate medical expenses paid after insurance. (McMellen)		\$ (2,575)
2. To include a new insurance policy. (McMellen)		\$ 1,080

Regulatory Commission Exp.- MO PSC S-9		\$ (224)

1. To bring to actual assessment for the test year. (McMellen)		\$ (224)

Misc. Expense- Water Line Repair S-10		\$ (600)

1. To eliminate duplicate entry. (McMellen)		\$ (600)

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Misc. Expense- Auto Taxes S-11		\$ (784)

1. To eliminate misc. expense that is to be in general plant- transportation. (McMellen)		\$ (784)

Misc. Expense- Property Taxes S-12		\$ (483)

1. To eliminate taxes paid for previous years. (McMellen)		\$ (432)
2. To eliminate taxes on land for the unbuilt tower. (McMellen)		\$ (51)

Misc. Expense- Contribution S-13		\$ (25)

1. To eliminate an unallowable contribution. (McMellen)		\$ (25)

Misc. Expense- Loan Interest S-14		\$ (815)

1. To eliminate unallowable interest. (McMellen)		\$ (815)

Misc. Expense- Other Interest S-15		\$ (917)

1. To eliminate unallowable interest. (McMellen)		\$ (917)

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Misc. Expense- Meters/Connection S-16		\$ (476)

1. To eliminate duplicate entry. (McMellen)		\$ (339)
2. To eliminate duplicate entry. (McMellen)		\$ (137)

Misc. Expense- Misc. Repair S-17		\$ (568)

1. To eliminate improvements to be capitalized. (McMellen)		\$ (568)

Depreciation Expense S-18		\$ 1,980

1. To annualize depreciation expense. (McMellen)		\$ 1,980

Current Income Taxes S-19		

1. To annualize current income taxes. (McMellen)		

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Income Tax

Line		Test Year	9.99% Return
(A)		(B)	
1	Net Income Before Taxes (Sch 8)	\$ 14,096	\$ 26,143
	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 7,646	\$ 7,646
3	Total	\$ 7,646	\$ 7,646
	Subtr from Net Income Before Taxes		
4	Interest Expense 6.4400 %	\$ 15,483	\$ 15,483
5	Book Depreciation	7,646	7,646
6	Total	\$ 23,129	\$ 23,129
7	Net Taxable Income	\$ (1,387)	\$ 10,660
	Provision for Federal Income Tax		
8	Net Taxable Income	\$ (1,387)	\$ 10,660
9	Deduct Missouri Income Tax 100.0 %	\$ 0	\$ 619
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	(1,387)	10,041
12	Total Federal Tax	\$ 0	\$ 1,506
	Provision for Missouri Income Tax		
13	Net Taxable Income	\$ (1,387)	\$ 10,660
14	Deduct Federal Income Tax 50.0 %	\$ 0	\$ 753
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	(1,387)	9,907
17	Total Missouri Tax	\$ 0	\$ 619

Warren County Water and Sewer Company

Case: WR-99-900A

Year Ending June 30, 1999

Income Tax

Line	Test Year	9.99% Return
(A)	(B)	
Provision for City Income Tax		
18 Net Taxable Income	\$ (1,387)	\$ 10,660
19 Deduct Federal Income Tax	\$ 0	\$ 1,506
20 Deduct Missouri Income Tax	0	619
21 City Taxable Income	(1,387)	8,535
22 Total City Tax	\$ 0	\$ 0
Summary of Provision for Income Tax		
23 Federal Income Tax	\$ 0	\$ 1,506
24 Missouri Income Tax	0	619
25 City Income Tax	0	0
26 Total	\$ 0	\$ 2,125
Deferred Income Taxes		
27 Deferred Investment Tax Credit	\$ 0	\$ 0
28 Total	\$ 0	\$ 0
29 Total Income Tax	\$ 0	\$ 2,125

1248 MIMOSA COURT
FORISTELL, MISSOURI 63348
(636) 463 1441
(FAX: 636 463 1000

**WARREN COUNTY
WATER & SEWER**

Fax

To: JIM MERCEIL, MOPSC From: GARY L. SMITH
MARK COMLEY, ATTY.
TOM BURKEMPER, ATTY.

Fax: Pages: ONE

Phone: Date: 12/17/99

Re: WATER TOWER CC:

☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

I WAS NOTIFIED THIS A.M. THAT THE WATER TANK LOAN HAS BEEN APPROVED. PITTSBURGH TANK IS PREPARING A CONSTRUCTION SCHEDULE AND LOAN DETAILS (CLOSING) IS BEING WORKED OUT.

I WILL KEEP YOU ADVISED, BUT IT APPEARS THAT CONSTRUCTION IN JANUARY IS PROBABLE.



1248 MIMOSA COURT
PO BOX 150
FORISTELL, MISSOURI 63348
(636) 463 1441
(FAX: 636 463 1000

**WARREN COUNTY
WATER & SEWER**

RECEIVED

DEC 20 1999

Fax

*Records
Public Service Commission*

To: EXECUTIVE DIRECTOR
MOPSC

From: GARY L. SMITH



Fax: Pages: TWO

Phone: Date: 12/20/99

Re: RATE CASES: CC: MARK COMLEY, ATTY.
9900787 (w)
9900800

☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

BECAUSE OF THE LACK OF PROGRESS IN THE ABOVE CASES, AND THE COMPLETE CHANGE IN CIRCUMSTANCES, WE REQUEST THAT OUR RATE PROPOSALS IN THE ABOVE CASES, BE DISMISSED. YOUR AUDIT, ALONG WITH OUR CURRENT FINANCIALS, MAKE THE ABOVE ABSURD.

1. THE PROPOSED WATER TOWER WILL NOW BE CONSTRUCTED ON NON-UTILITY PROPERTY AND PAID FOR BY NON-PSC REGULATED ENTITIES. IF A DECISION IS MADE AT A LATER DATE TO SELL WATER FROM THE NEW TOWER, IT WILL ONLY BE SOLD TO NON-REGULATED INDIVIDUALS. INCLINE VILLAGE WILL CONTINUE TO BE SERVED FROM THE EXISTING TANK. AS A RESULT, NO WATER RATE INCREASE IS NECESSARY AT THIS TIME.

2. AS TO THE PROPOSED SEWER INCREASE, YOUR FIGURES ARE SO FAR OUT OF DATE THAT THEY NO LONGER HAVE ANY SIGNIFICANCE. A NEW RATE PROPOSAL WILL BE FILED AFTER THE FIRST OF THE YEAR.

Schedule KKB-18.1

December 20, 1999

3. CURRENTLY WE HAVE \$30-40, 000.00 IN UNPAID SEWER BILLS. SUITS ARE BEING THREATENED ON ALL OF THE UNPAID INVOICES. PLEASE SEND APPROPRIATE FORMS TO REQUEST AN EMERGENCY INCREASE.
4. BASED UPON THE "SUMAC RIDGE EXEMPTION" WE WILL ONLY SERVE CUSTOMERS INSIDE INCLINE VILLAGE ON A REGULATED BASIS WITH CURRENT ASSETS. ALL CUSTOMERS OUTSIDE INCLINE WILL BE SERVED FROM THE NEW TOWER ON A NON-REGULATED BASIS.

PLEASE CONFIRM THE ABOVE DISMISSAL AND FORWARD REQUIRED DOCUMENTS FOR AN EMERGENCY RATE INCREASE.

A handwritten signature, possibly reading 'C. Smith', is written in black ink. Below the signature are three large, parallel, diagonal strokes, also in black ink, which appear to be a stylized flourish or a way to indicate the end of a section.



COPY
FILE COPY

Commissioners
KELVIN L. SIMMONS
Chair
CONNIE MURRAY
SHEILA LUMPE
STEVE GAW
BRYAN FORBIS

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

ROBERT J. QUINN, JR.
Executive Director
WESS A. HENDERSON
Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
DONNA M. PRENGER
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

March 8, 2002

Mr. Gary L. Smith
President
WARREN COUNTY WATER & SEWER COMPANY, INC.
1248 Mimosa
Foristell, MO 63348

RE: Warren County Water & Sewer Company
Small Company Rate Increase Procedure Requests
MO PSC File Nos. 2002 00019 (water) & 2002 00020 (sewer)

Dear Gary:

Pursuant to our last meeting on the above-mentioned requests, the Missouri Public Service Commission Staff (Staff) has considered the recommended changes to the cost of service proposed by Warren County Water & Sewer Company, Inc.'s (WC W&S Company) for water and sewer service.

Set out below are the Staff's comments related to its reconsideration of Company proposals:

Corporate Status

The problem listed before that the Staff discovered during its audit was that the Company has been administratively dissolved by the Secretary of State's Office.

Until such time that the WC W&S Company provides proof that it is in good corporate standing with the Missouri Secretary of State's Office, the Staff will not recommend a permanent increase in any rates.

MAR 11 2002

Schedule KKB-19.1

Bookkeeping, Records and Documentation

As we reported before, the Staff encountered many problems in the following areas during the audit.

The Staff found that the WC W&S Company's records were commingled with the records of an affiliated construction company, Gary Smith and Associates, LTD (Construction Company). Because of this commingling, there was not a clear audit trail between revenues and expenditures of the WC W&S Company and the Construction Company. In many cases there was no documentation of services performed and billed by the Construction Company for the WC W&S Company. The WC W&S COMPANY used two separate checking accounts with the same check numbers. These duplicate check numbers being entered into the WC W&S COMPANY's financial records caused further audit problems. This made it very difficult for the Staff to track and reconcile the WC W&S Company's expenditures.

The Staff also discovered numerous checks written to Gary Smith and/or to one of his affiliated Companies during the one-year review period ended June 30, 2001. Specifically, total amounts written were Warren/Lincoln Investments, Inc. \$19,600 (a new affiliated company), the Construction Company \$40,520 and Gary L. Smith \$28,439. Staff found no supporting documentation for the majority of these checks.

Gary Smith is the only employee of the WC W&S Company. His affiliated Construction Company performs all of the work for the WC W&S Company. The WC W&S Company does not have a written contract for services with the Construction Company, nor is there any supporting documentation attached to the monthly bills for service. Additionally, the WC W&S Company uses no kind of work order system to track the work performed, hours spent and items used for construction. As a result, the Staff is unable to differentiate between tasks that were performed by the WC W&S Company and those that were performed by the Construction Company.

Again, until such time as the company that provides water and sewer service keeps detailed records for its dealings with all of Gary Smith's affiliated companies, the Staff will not recommend a permanent increase in any rates. These detailed records shall include documentation of all services performed and billed.

Again, until such time as the company that provides water and sewer service keeps its records completely separate and apart from all of Gary Smith's affiliated companies, the Staff will not recommend a permanent increase in any rates.

Utility Assets

Again, it has come to the Staff's attention that Gary Smith has attempted to transfer the assets of the WC W&S Company, by the use of a general warranty deed, to a new affiliated company, Warren/Lincoln Investments, Inc. (Investments Company). It is the Staff's understanding that such transfer has been attempted without what the Staff considers the required Commission approval. Pursuant to our last meeting, it is the Staff's understanding that Gary Smith now agrees with the Staff's opinion that such a transfer needs Commission approval. If the assets of the WC W&S Company have been transferred to another entity, the return on equity, depreciation, income taxes and property taxes related to all such assets transferred would no longer be included as "cost of service" items to set rates for the WC W&S Company.

Again, until such time as these ownership and transfer issues are resolved and agreed upon, the Staff will not recommend any rate increases for the WC W&S Company. Settlement of these issues will have to include the Company providing governmental verification that the transfer of assets has not occurred, and a promise that any future sale of assets will be accomplished only with the approval of the Commission.

Delinquent Property Tax Payments

During its audit, the Staff became aware that the WC W&S Company is delinquent on the payment of both current and past property tax assessments for various parcels of land and other property used by the WC W&S Company in the provision of utility service. The Staff's understanding is that all such properties have a minimum of two years delinquent property taxes, which may subject them to a tax certificate sale by the Warren County Collector. However, the Staff is unsure of the exact status of the delinquent property taxes because of the attempted transfer of the WC W&S Company assets to the affiliated Investments Company.

Again, until such time that the delinquent property taxes on utility property have been made current, the Staff will not recommend any rate increases for the WC W&S Company.

Delinquent Commission Assessment Payments

The Staff has recently been made aware that WC W&S Company has again become delinquent on its current Commission assessments. The Staff's policy regarding the payments on a company's assessments is that the company must stay current on such payments in order for a pending small company rate increase procedure to continue. This policy is consistent with the requirements of this procedure that pertain to the initial submission of a rate increase request under the procedure.

Until such time that the delinquencies on the WC W&S Company's current Commission assessments have been made current, the Staff will not consider recommending any rate increases for the WC W&S Company.

Billing Issues

The Staff discovered numerous billing errors and inconsistencies with the WC W&S Company's Commission approved tariff during its audit. "Late charges" were imposed and/or removed on an inconsistent basis. Non-tariffed "customer deposit charges" were collected in several instances. "Disconnection and reconnection fees" were not charged on a consistent basis. The additional "temporary connection charge" of \$10 per month was charged to many customers for the entire test year. The tariffed monthly "customer charge" was not charged to every customer every month.

The Staff has also discovered that many customers appear to have been billed for charges in excess of the approved tariff for service line installations. These excess charges appear on bills with the heading "W C W & S". The Staff believes these charges are related to service line installations, and that some of these, or a portion of these charges, generated monies that should have been provided by the WC W&S Company pursuant to its tariff, not the utility customer. The investigation for this area will take some time for discovery. Actual bills provided to customers, developers and home builders need to be obtained, and many interviews will need to be performed to find out the nature and extent of the work actually performed before the Staff can determine the magnitude of refunds the company should be required to make for these charges.

The Staff will be seeking the opening of a complaint docket to allow for the investigation of the WC W&S Company's billing, or of an affiliate's billing, of these service line installation charges, as they relate to tariff inconsistencies. The Staff will contact customers to see their actual bills and request the explanations of the actual service line extension work performed for each utility extension. Because of the poor documentation and lack of detail in the WC W&S Company records, as noted above, the Staff will likely need to obtain much of the detail of these transactions from the affected customers, contractors and developers. The Staff expects that many thousands of dollars have been demanded by the WC W&S Company and/or its affiliate(s) from the public (customers, developers and house builders), contrary to the Commission approved service line installation rules of the WC W&S Company, for the public's ability to obtain water service.

Until such time the WC W&S Company, and/or any of its affiliates cease charging customers for service line installation costs that the WC W&S Company should be

providing under its tariff, the Staff will not recommend any rate increases for any of the utility's charges.

Ability to Provide Adequate Water Service

The Staff is considering filing a formal complaint and seeking penalties regarding the low pressure and lack of storage on WC W&S Company's water system. Low water pressure is commonplace for service on the system. While the WC W&S Company has been promising since 1996 to construct a new, elevated storage tank to help with system pressure and storage, it has not yet provided such needed system improvements. The service area is growing rapidly. Staff does not consider service to be adequate when considering its "safe and adequate" service standard. Until such time that the Company puts a new, elevated storage tank on the water system, Staff will not consider an increase in rates.

Current Cost of Service Run

Despite the record keeping problems noted above, the Staff has attempted produced a cost of service run that incorporates costs the Staff feels comfortable with, *if all other issues have been satisfactorily addressed*. A cost of service run is attached for both water service and sewer service. Because of the company's inadequate record keeping, the Staff felt it was necessary to disallow certain expenditures that the WC W&S Company may be entitled to recover. The Staff included estimated expenditures for expenses such as fuel, telephone and plant maintenance based on its experience with similar sized companies. In addition, the Staff questionably has included an annual salary of \$24,000 for Mr. Smith to be allocated between the water and sewer operations.

These water and sewer cost of service runs assume all of the other items of contention mentioned above are not at issue. Additionally, based upon these cost of service runs the Staff has determined that a net increase in rates for WC W&S is not now warranted.

If the utility plant has been transferred to Mr. Smith's affiliate, the Commission's Accounting Staff determined that the Company is now over-collecting annual revenues for water service by the amount of \$39,297. If the utility plant has been transferred to Mr. Smith's affiliate; the Commission's Accounting Staff determined that the Company is now over-collecting annual revenues for sewer service by the amount of \$2,036.

If the utility plant has not been transferred to Mr. Smith's affiliate, the Commission's Accounting Staff determined that the Company is now over-collecting annual revenues for water service by the amount of \$30,057. If the utility plant has not been transferred

to Mr. Smith's affiliate, the Commission's Accounting Staff determined that the Company is now under-collecting annual revenues for sewer service by the amount of \$6,782.

The Employment of Gary Smith by WC W&S Co

Pursuant to a plea agreement before the Environmental Protection Agency (EPA), Gary Smith has knowingly violated EPA standards related to his operation of the system for WC W&S Co. At that time, Mr. Smith was sentenced to probation for these violations. It has recently come to Staff's attention that Mr. Smith has yet again been accused of violating more EPA standards, which is a violation of his existing probation. Because of his intentional and continued violations of EPA standards, the Staff will not consider an increase in the company's rates until such time as Mr. Smith is not responsible for any of the operation and maintenance of the sewer system. Staff will also allow no monies in salary expenses while Mr. Smith is in charge of operation and maintenance of the sewer and water systems.

Company Proposed Changes To Staff's Initial EMS Recommendations:

Pursuant to our last meeting of January 16, 2002, the Company proposed changes to Staff's cost of service run for the following:

(1) **Sludge hauling**

Test year sludge hauling expense was \$2,500. The level of expense that the Company wanted to build in was \$26,000. Staff will not build into rates monies that have not been expended for hauling. Recently, a load of sludge has been transported every other week. In representation of this current payment pattern Staff has increased the expense amount included in its cost of service run to \$ 9,780.

(2) **Salary of Management (Gary Smith)**

Gary requested that \$36,000+ annual salary for himself be incorporated into the Staff's cost of service run. Staff had incorporated \$24,000 per year for both systems. Upon further review of knowing EPA violations, grotesque customer service, and other poor operation and maintenance activities, Staff is removing all salary for Gary Smith from the EMS run (see above for discussion of Gary Smith payroll.)

(3) **Telephone Expense:**

Staff did not increase the amount from \$1,400 per year to \$2,400 per year.

(4) **Office Rent:**

Staff did not increase the Company requested amount to \$7,200 per year.

(5) Chemical Expense:

Staff did not increase the amount of chemical expense past what was actually incurred during the test year. When chemical expense levels are actually incurred, Staff will consider including such appropriate expenses at that time. The amount of expense will stay at \$1,193 per year, instead of the Company recommended level of \$2,400 per year.

(6) Rate Case Expense:

Staff did not include any monies for rate case expense.

(7) Revenues Annualization:

Staff did not modify its revenue annualization contained in its original cost of service run which was developed from the Company's books.

SUMMARY

The results of Staff's audit are that no increase is warranted at this time, especially considering all of the other above listed issues and concerns of Staff, contained in this document, which the Company has not remedied.

I have determined that the Staff and Company cannot agree on changes to the Company's cost of service that will yield a net positive revenue requirement, and which will satisfy all issues associated with the other problems listed in this document. This treatment is consistent with the Commission's Rules. **Staff is now closing these small company rate cases.** The Company now has the option to file a formal general rate proceeding.

If you have any questions regarding any of these matters, please contact me at your convenience at (573) 751-3437.

Sincerely,



Wendell R. (Randy) Hubbs
Assistant Manager, Rates
Water & Sewer Department

Enclosures

Copy: Office of the Public Counsel – M. Ruth O'Neill

Surrebuttal Testimony of
Kimberly K. Bolin
Case No. WC-2002-155

COPY

1248 MIMOSA COURT
PO BOX 150
FORISTELL MO 63348
(636) 463 1441

WARREN COUNTY WATER & SEWER CO.

FILE COPY

July 5, 2001

Ms Nila Hagemeyer
Records Manager
Missouri Public Service Commission
PO Box 360
Jefferson City, Missouri 65102

Dear Ms. Hagemeyer:

This will acknowledge receipt of your letter dated July 3, 2001. For your information, the required annual reports were mailed this a.m. by Priority Mail.

I am returning the original and eight copies of the rate increase request that you returned since you should have received the necessary annual report by the time you receive this letter.

A copy of the rate request and a copy of this letter are being sent to the Office of Public Counsel.

Sincerely yours,



GARY L. SMITH

Enclosures

Cc: Office of the Public Counsel

.....
Schedule KKB-20.1

JUL 10 2001

FILE COPY

**WARREN COUNTY WATER & SEWER COMPANY
1248 MIMOSA COURT
PO BOX 150
FORISTELL, MISSOURI 63348
(636) 463 1441
463 1000 (fax)**

June 28, 2001

Secretary, Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102

Re: Small Company Rate Increase
Warren/Lincoln/St. Charles Counties

Dear Sir or Madam:

WARREN COUNTY WATER & SEWER COMPANY, a Missouri corporation, is the owner of the franchise to provide water and sewer services to certain areas of Lincoln, St. Charles and Warren Counties in Missouri

Pursuant to Rules of Department of Economic Development, Division 240-Public Service Commission, Chapter 2-Practice and Procedure, including, but not limited to, 4 CSR-240-2.200, the undersigned hereby requests an increase in water and sewer rates so that water and sewer services can continue to be provided to customers of the Company in accordance with regulatory requirements of the State of Missouri. An increase is necessary for the following reasons:

- (1.) Revenues from the sale of water and sewer services are totally inadequate to meet operating expenses. An increase is necessary to meet ordinary expenses and to meet certain unexpected expenses, such as \$6,000.00 payable to MODNR for the purpose of renewing annual operating permits for the sewer system.
- (2.) An adjustment in the connection fees for both water and sewer service for the reason that the cost of meeting tariff obligations exceeds the current connection charges. In addition, there is some dispute between the Company and the Staff of the MOPSC as to the extent of the Company's obligation with regard to new connections. Company requests a clarification as to its obligations and that connection fees be set at a level sufficient to allow Company to meet those requirements as more specifically defined..

Schedule KKB-20.2

JUL 10 2001

- (3.) An adjustment in water rates for the purpose of providing additional water storage and pressure for the water system. The MOPSC has approved the construction and financing of a 100,000 gallon elevated storage tank. The Company requests a rate adjustment, to be effective upon placing said tank in service, so that bank financing can be finalized and the tank ordered.

The current rate for water service was established in 1983 and the current rate for sewer service was established in 1996. Rate relief is necessary at this time so that the Company can meet operating expenses in a timely manner; can clearly define and implement an appropriate connection policy; and, so that it can proceed with the above described elevated storage tank.

SEWER:

Rates: It appears that additional revenue of approximately Twenty-five thousand Dollars (\$25,000.000) per year is necessary to meet current operating expenses of the sewer system. To obtain such revenue, the Company proposes increasing sewer rates to \$25.00 per month from the current level of \$18.14 per month. Said increase will cover operating losses; allow the Company to pay bills in a timely manner; make prompt repairs to equipment; to keep solids levels in the treatment plants at an appropriate level; to pay permit renewal fees at the current level of \$3,000.00 per year per plant; and, to otherwise properly operate the sewer system.

Connection Charges: Throughout the life of Company, it has been the practice and policy of the Company, all to the knowledge and implicit consent of the staff of the MOPSC, that it is the responsibility of the customer to run sewer laterals from the main to the customer's home. The Company is responsible for the tap and limited other responsibilities which the Commission has set the reasonable cost of performing at \$150.00 per connection. Recently, Staff of the MOPSC has suggested that it is the responsibility of the Company to run laterals from the opposite side of the street to customer's property. While the Company has no objection to this, the cost of such additional service is \$1,000.00. Obviously the Company can not perform this additional service for \$150.00. Company hereby requests an **emergency** increase in sewer connection fees from \$150.00 to \$700.00 with responsibilities of all parties more clearly defined. This increase is conditioned upon water connections being raised in a similar manner since only water or sewer is run from the opposite side of the street on each new connection. Therefore, \$500.00 on both water and sewer would generate \$1,000.00 per connection. Currently customers hire a private contractor to perform such service. An increase in connection charges would result in lower construction costs to the customer. Therefore, no real increase in cost to customers would be involved. Company requests that this change be made effective immediately so as to eliminate any further controversy and prevent potential liability on the part of Company.

MODNR Permit Fee: The Missouri Legislature recently enacted, and MODNR is collecting, a \$3,000.00 fee to renew NPDES permits. This represents an increase from \$50.00 in prior years. This Company, with two plants, is facing collection efforts by the Attorney General and is currently operating without a valid permit because said fee represents approximately 15% of its annual operating sewer revenue, an amount it is unable to raise without immediate relief. Since non-regulated utilities have added this fee as a line item on their bills, Company requests authority to add a line item to its bills, beginning July 1, 2001, and continuing through December 1, 2001, adding the sum of \$3.23 per month as and for said permit fees. An **emergency** increase will prevent costs associated with defending collection efforts by MODNR or the Office of the Attorney General. This line item should end with the December charge and, thereafter, become a part of the rate base.

WATER:

Rates: It appears that additional revenue of approximately \$5,000.00 per year is necessary to meet current operating expenses of the water system. The Company proposes an increase in water rates of \$0.20 per 1,000 gallons. That increase would cause rates for water to go from \$2.42 per 1,000 gallons to \$2.62 per 1,000 gallons. The monthly base rate, or availability rate, would remain at \$7.50 per month.

In addition, the Company proposes additional water revenue totaling the sum of \$31,250.00 per year to cover estimated annual interest, depreciation, and a rate of return on stockholder investment in said proposed tank.. Said amount should be obtained from an increase in the monthly availability charge and usage charge. An increase of approximately \$7.44 per month per customer would be required to generate said sum. The Company estimates the total investment in said tank, upon completion, to total approximately \$250,000.00. The Company proposes that this increase be effective on the 1st of the month following said tank being placed in service.

Connection Charges: The Company restates and incorporates herein, all of the matters set forth above in its request for any increase in connection fees for sewer. Currently, Company receives \$300.00 per water connection and, in consideration therefor, makes the tap and provides certain material, including a meter. To begin running a service line from the opposite side of the street to customer's front yard would add approximately \$1,000.00 to the cost of each connection. Company requests an increase in connection fees for water to the sum of \$950.00. Said amount would include approximately half of the cost of crossing a street. Since only water or sewer would be crossed, an increase of \$500.00 in both water and sewer charges would cover this additional obligation. The additional increase also includes funds for increased costs of material, including the new remote read meters the Company is now installing.

The Company is current in all MOPSC assessments, reports, etc.

If you need additional information, please let me know.

Sincerely yours,

GARY L. SMITH
President