

MEMORANDUM

*Distributed Via E-Mail*

Exhibit  
A

TO: Wess Henderson

FROM: Dale Johansen /s/DWJ

SUBJECT: Lake Carmel – Becker Development and Aqua Missouri

DATE: May 3, 2006

This Memorandum is being written as a follow-up to our meeting with Aqua Missouri representatives Marc Ellinger and Tena Hale-Rush on April 28, 2006, and our telephone conversation with Jason Becker on May 1, 2006. Once you have reviewed this Memorandum, please let me know if you have any questions and how you think we should proceed from here.

In conjunction with the information presented below, the following documents are attached to this Memorandum as part of the "memo packet": (1) the portion of Aqua Missouri's tariff that relates to the extension/expansion of its facilities - including the definitions rule (one of the definitions is the definition of a "developer", which is critical to this overall situation) and the rule regarding the extension/expansion of facilities (including the applicable contract forms); and (2) the Staff's case file memorandum from Case No. WM-98-130, which is the case related to Aqua Missouri's predecessor, Capital Utilities, purchasing the Lake Carmel water and sewer systems.

Information Regarding Mr. Becker's Positions

Based on the above-referenced telephone conversation with Mr. Becker, it appears that one of the major items at issue in this overall situation is Mr. Becker's position that he, as a developer, should not be responsible for the expansion of the capacity of the existing sewage treatment plant (a three-cell lagoon) for the provision of service to thirteen lots that he owns and wants to develop. The basis for this position is apparently Mr. Becker's reliance on information contained in the Staff's case file memorandum filed in Case No. WM-98-130 regarding the capacity of the existing sewage treatment facility.

Specifically, Mr. Becker is apparently relying on the following sentence from that memorandum, which recounts a discussion between the Staff and the owner of Capital Utilities, Mr. Rick Helms: "Mr. Helms noted that the sewer system was designed for a maximum of 70 homes, which will allow for considerable customer growth." During our conversation with Mr. Becker, I believe he also stated that this information was even a factor in his decision to continue the operations of Becker Development Company after the death of his father.

Regarding a proposed second phase of the Lake Carmel development, I do not believe there are any issues regarding Mr. Becker's responsibility for financing the expansion of the existing treatment facility or the construction of a second treatment facility, or his responsibility for participating in an equitable manner in the financing of a new, replacement treatment facility, one of which would be required to provide treatment capacity for the homes to be constructed in this second phase of the development. In fact, Mr. Becker has previously suggested that a new, replacement facility should be constructed and that the cost of such a facility should be shared between the development company and the utility company.

Information Regarding Aqua Missouri's Positions

Until our meeting with Mr. Ellinger and Ms. Hale-Rush last week, and the receipt of Mr. Ellinger's letter of April 28, 2006 regarding that meeting, I believed there was an issue between the Staff and the Company regarding the applicable tariff provisions. In particular, I thought that the Company did not believe that it was responsible for the design and permitting of facility extensions/expansions under all circumstances, but that these responsibilities could be "shifted" to a developer within the context of a company/developer contract pertaining to facility extensions/expansions.

However, based on the discussions during our meeting and the contents of Mr. Ellinger's follow-up letter regarding the two options set out in the Company's tariff for situations like the Lake Carmel situation, I no longer believe this is the Company's position. As a result, I do not believe there are any issues remaining between the Company and the Staff regarding the application of its tariff provisions for the Lake Carmel situation. In other words, I believe the Company and the Staff now agree that a company/developer contract is necessary and that it is the details of such a contract that will need to be worked out between Aqua Missouri and Mr. Becker depending on what approach is taken to address the short-term capacity needs and/or the long-term capacity needs. However, there still needs to be "a meeting of the minds" on what is going to be done to provide the needed treatment capacity.

Information Regarding the Capacity of the Existing Sewage Treatment Facility

As noted above in the information regarding the Staff's case file memorandum from WM-98-130, it was originally believed that the existing three-cell lagoon treatment facility had sufficient capacity to serve up to 70 total connections. However, recent flow information obtained by the Company for the sewer system clearly shows that there is a capacity issue with regard to that facility, albeit that it is expected that at least some portion of the excess system flow is not related to customer usage but instead to inflow/infiltration problems.

Additionally, based on this recently-obtained flow information, it does not appear likely that the entirety of the identified capacity/flow problems will be "resolved" only through correction of the inflow/infiltration problems that apparently exist. As a result, it appears that an expansion of the capacity of the existing treatment facility will be necessary to serve additional customer connections, and the responsibility for the financing of any such expansion could be both the responsibility of the Company (for individual customers) and Mr. Becker as a developer requesting service for multiple lots, with a company/developer contract then being necessary as noted above.

As also noted above, there needs to be "a meeting of the minds" regarding what needs to be done so far as the needed capacity expansion is concerned and then how the responsibility for financing the selected approach will be split between the Company and Mr. Becker.

### Conclusions

- (1) An expansion of the capacity of the existing treatment facility is apparently needed so that service can be provided for the remaining possible customer connections in the original phase of the Lake Carmel development.
- (2) A decision needs to be made regarding what actions will be taken to provide the additional treatment capacity needed in the existing facility to serve the original phase of the Lake Carmel development. This decision will, at least in part, be affected by the identification and correction of the system's apparent inflow/infiltration problems.
- (3) Once a decision is made regarding the actions that will be taken to provide additional treatment capacity in the existing facility, a decision will need to be made regarding how the cost of the capacity expansion will be split between the Company and Mr. Becker, and a company/developer contract setting out Mr. Becker's responsibilities will be needed.
- (4) Though understandable and well-intentioned, Mr. Becker's reliance on previous statements regarding the capacity of the existing treatment facility was apparently misplaced.
- (5) Additional treatment capacity, over and above that referenced in (1) above, will be needed for service to be provided to the proposed second phase of the Lake Carmel development.
- (6) In order for a determination to be made regarding the treatment capacity needed for the second phase of the Lake Carmel development, Mr. Becker needs to specify the number of lots for which service will be needed. Subsequently, Aqua Missouri will need to develop a proposal regarding how the capacity will be provided.
- (7) A company/developer contract between Aqua Missouri and Mr. Becker regarding the provision and financing of the capacity needed to serve the second phase of the Lake Carmel development will be needed.
- (8) The option of building a single treatment facility to provide service to the entirety of the first and second phases of the Lake Carmel development, with the coinciding retirement of the existing facility, is an acceptable option, but would require an agreement regarding how the cost of such a facility would be shared between Aqua Missouri and Mr. Becker.

### Attachments

Tariff Provisions Related to Extensions  
Staff's Case File Memorandum from Case No. WM-98-130

Copies: Warren Wood	Jim Russo
Kevin Thompson	Jerry Scheible
Jim Merciel	Martin Hummel

P.S.C. MO.

No. 2 (original)  
(revised)

Sheet No. Title Page

Cancelling P.S.C. MO

No. 2 (original)  
(revised)

Sheet No. 5-1

Aqua Missouri, Inc.  
Name of Issuing Corporation

All Communities and Rural Areas  
For Missouri Certificated Service Area  
Community, Town or City

**Missouri Public**

REC'D JAN 14 2004

**Service Commission**

Aqua Missouri, Inc.

SEWER SERVICE TARIFF

SERVICE AREA DEFINITION

SCHEDULE OF RATES

SCHEDULE OF SERVICE CHARGES

RULES AND REGULATIONS

DATE OF ISSUE January 14, 2004  
month day year

DATE EFFECTIVE February 13, 2004  
month day year

ISSUE BY Terry Rakocy  
name of officer

President  
title

5400 Bus. Highway 50, Jefferson City, Mo  
address

**Missouri Public  
Service Commission**  
WN-2004-0285  
**FILED FEB 13 2004**

Cancelling P.S.C.MO. No. All Previous Schedules{ Original } SHEET No. \_\_\_\_\_  
~~REVIEWED~~

Capital Utilities, Inc.

For Missouri Certificated Service Area

Name of Issuing Corporation

Community, Town or City

Sewer Division

Rules and Regulations  
Governing Rendering of Service

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APR 27 1992

Rule 1 DEFINITIONS

- (a) "ALTERNATIVE COLLECTION" is any wastewater collection other than conventional eight (8) inch diameter or larger gravity piping with manholes located at changes in direction, pipe size, and grade. Examples of alternative collection include but are not limited to septic tank effluent pump (STEP) without pretreatment (i.e. septic tanks), pressurized piping utilizing grinder pumps and vacuum sewers.
- (b) An "APPLICANT" shall be a person or group of people requesting sewer services from the Company through a service connection, or a collecting sewer extension to one or more existing or proposed residential, commercial or industrial building occupied by or to be occupied by the requesting party(ies).
- (c) An "APPLICATION FOR SERVICE" is a written request by a potential Customer requesting sewer service. The application form will be prepared by and available from the Company.
- (d) "BASE WATER USAGE" shall be the Customer's water consumption corresponding to the Company's billing periods for the months of January, February, and March.
- (e) The "BILLING PERIOD" shall be defined as the time frame for which sewer service is provided or taken, and for which compensation to the Company is expected.

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MAY 27 1992  
92 - 1915  
MO. PUBLIC SERVICE COMM.

DATE OF ISSUE April 27, 1992  
month day yearDATE EFFECTIVE May 27, 1992  
month day year

ISSUED BY

Milton E. Leeds

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President, P.O. Box 7017, Jefferson City, Mo.

title

address

Cancelling P.S.C.MO. No. All Previous Schedules{Original  
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SHEET No. \_\_\_\_\_

Capital Utilities, Inc.

For Missouri Certificated Service Area

Name of Issuing Corporation

Community, Town or City

Sewer Division

Rules and Regulations  
Governing Rendering of Service

ENCLOSURE

APR 27 1992

Rule 1 DEFINITIONS (continued)

- (f) "B.O.D." denotes biochemical oxygen demand. It is the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory conditions expressed in milligrams per liter.
- (g) A "COLLECTING SEWER" is a pipeline, including force mains, gravity sewers, pressure piping, wyes, tees, clean-outs, manholes, lampholes and necessary appurtenances, which is owned and maintained by the Company, located on public property or on Company or utility easements, and used to transport sewage waste from the Customer's service sewer connection to the point of disposal.
- (h) The term "COMMERCIAL CUSTOMER" shall designate :
- (1) A retail or service business utilizing any building, portion of a building or combination of buildings in the same compound which does not manufacture any item or items on the premises.
- (2) A hotel, motel, tourist court, or recreational vehicle park which rents or leases rooms or spaces to tenants.
- (i) The "COMPANY" is Capital Utilities, Inc. of Jefferson City, Missouri acting through its officers, managers, operations contractor, or other duly authorized employees or agents.

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DATE OF ISSUE April 27, 1992  
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month day yearISSUED BY Milton E. Leeds

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Cancelling P.S.C.MO. No. All Previous Schedules{ ~~Revised~~ }

SHEET No. \_\_\_\_\_

Capital Utilities, Inc.

For Missouri Certificated Service Area

Name of Issuing Corporation

Community, Town or City

Sewer Division

## Rules and Regulations

## Governing Rendering of Service

APR 27 1992

Rule 1 DEFINITIONS (continued)

- (j) The "CUSTOMER" is any person, individual, partnership, association, corporation or governmental body which has contracted with the Company for sewer service to a unit or is receiving sewer service from the Company to a unit, or whose facilities are connected for utilizing sewer service to a unit.
- (k) The "DATE OF CONNECTION" shall be the date the application for service connection is issued by the Company. In the event no application is filed and a service connection is made, the date of connection shall be determined by the Company based on available information, such as construction/occupancy permits, or water or electric service turn-on dates.
- (l) A "DEVELOPER" shall mean a person or group of persons who has or intends to sell two (2) or more lots, parcels or tracts of land to others for the purpose of constructing thereon any type of building.
- (m) The term "DISCONNECTION" may be used literally in the case where a Customer's service is physically disconnected or plugged to prevent flow to the Company's system. It may also be used to refer to Customer's service simply being discontinued by reason of the Customer vacating the building or unit served.

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ISSUED BY

Milton E. Leeds

name of officer

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Canceling P.S.C. MO. No. 2 (Original) SHEET No. SRR4AquaSource/CU, Inc.  
Name of Issuing CorporationFor Missouri Certificated AreaSewer DivisionMissouri Public  
Service CommissionRules and Regulations  
Governing Rendering of Service

REC'D DEC 03 2002

Rule 1 DEFINITIONS (continued)

- (n) A "DISCONNECTION CLEANOUT" or "ELDER VALVE" is a device consisting of a special tee and a plunger, owned by the Company on the Customer Service Sewer, used to physically stop any flow through the service sewer. It may be used if it is known that any sewer service lateral may be disconnected in the event raw sewage may back up into the residence. It may also be used by the Company if a property owner or a customer has a past due or delinquent account for serviced rendered by the Company. In addition, it may also be used by the Company if the owner or customer simply wishes temporary discontinuance by reason of the Owner/Customer vacating the building or unit served.
- (o) "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal house hold activities.
- (p) A sewer system "EXTENSION" may refer to continuation of piping or an addition to the existing Company owned system, reconstruction, or the construction of an entirely new wastewater collection/treatment system.
- (q) A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- (r) "GRINDER PUMP STATION SYSTEM" is the pumps, related equipment, tankage, piping and appurtenances, which grinds and pumps sewage waste from an individual unit under pressure to collection lines. The system also contains level controls for interim storage of liquid waste and intermittent pump operation as a function of liquid level with appropriate malfunction alarms, controls and valves to assure compatible operation with similar units.
- (s) The term "INDUSTRIAL CUSTOMER" is a single entity utilizing any building, portion of a building, or combination of buildings in the same compound and whose primary use is for the manufacture, fabrication, and/or assembly of any product.

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DATE OF ISSUE November 20, 2002DATE EFFECTIVE 12-03-02ISSUED BY Frank Hoffmann, President, 411 -7<sup>th</sup> Avenue, Pittsburgh, PA 15219 JAN 22 2003  
Name of Officer Title Address

FORM NO. 13 P.S.C. MO. No. 2 1<sup>st</sup> (Revised) SHEET No. SRR5

Canceling P.S.C. MO. No. 2 (Original) SHEET No. SRR5

AquaSource/CU, Inc.  
Name of Issuing Corporation

For Missouri Certificated Area

Sewer Division

Missouri Public  
Service Commission

Rules and Regulations  
Governing Rendering of Service

REC'D DEC 03 2002

Rule 1 DEFINITIONS (continued)

- (t) "INSPECTOR" is a duly authorized officer, manager, employee or agent of the Company, qualified by appropriate education, experience and training to inspect new construction, modifications and connections to the Company's collecting sewers and treatment systems and Customer's service sewers.
- (u) A "MOBILE HOME (S)" shall be defined as a dwelling unit normally mounted on a trailer for the purpose of transporting.
- (v) A "MOBILE HOME PARK" is an area comprised of two or more spaces for the semi-permanent setup of mobile homes.
- (w) A "MULTI-FAMILY DWELLING UNIT" is a building constructed under one roof that is separated into more than one dwelling unit (i.e. duplex, fourplex, etc.).
- (x) "NON-DOMESTIC SEWAGE" is all sewage other than domestic sewage including, but not limited to, commercial or industrial wastes, (See Rule 6 pertaining to Improper Waste and Excessive Use).

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Missouri Public  
Service Commission

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DATE OF ISSUE November 20, 2002 DATE EFFECTIVE November 20, 2002

ISSUED BY Frank Hoffmann, President, 411- 7<sup>th</sup> Ave., Pittsburgh, PA 15219 JAN 22 2003  
Name of Officer Title Address

Cancelling P.S.C.MO. No. All Previous Schedules

{Original}

SHEET No.

Capital Utilities, Inc.

Name of Insuring Corporation

For Missouri Certificated Service Area

Community, Town or City

Sewer Division

## Rules and Regulations

## Governing Rendering of Service

APR 27 1992

Rule 1 DEFINITIONS (continued)

- (x) "PH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. PH is indicated on a scale reading from 1 - 14, with 7 being neutral, below 7 acid, and above 7 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- (y) "REPAIRABLE PARTS" shall consist of the motors, pumps, grinders, liquid level controls, heaters, pressure release valves, gate valves, check valves, vacuum/air relief valves, alarm system, electrical protective and switching equipment that may be included as part of an alternative collection system with the Customer's service sewer. These components are normally associated with an alternative collection system and are the responsibility of the Customer.
- (z) The term "RESIDENTIAL CUSTOMER" shall designate the person(s) occupying a building or portion of building in the case of a multi-family dwelling under one roof which is owned, leased, or rented by one party and occupied as a residence.
- (aa) "SEPTIC TANK EFFLUENT PUMP (STEP) SYSTEM" is the pumps, related equipment, tankage, piping and appurtenances which separate from liquid wastes retaining the settleable and floating solid wastes and pumping the liquid waste under pressure to collecting lines.

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DATE OF ISSUE April 27, 1992  
month day yearDATE EFFECTIVE May 27, 1992  
month day year

ISSUED BY

Milton E. Leeds

name of officer

President, P.O. Box 7017, Jefferson City, Mo.

title

address

Capital Utilities, Inc.

Name of Issuing Corporation

For Missouri Certificated Service Area

Community, Town or City

Sewer Division

Rules and Regulations  
Governing Rendering of ServiceRule 1 DEFINITIONS (continued)

The system also contains level controls for interim storage of liquid waste and intermittent pump operation as a function of liquid level with appropriate malfunction alarms, controls and valves to assure compatible operation with similar units.

(ab) "SERVICE CONNECTION" is the connection of a service sewer to the Company collecting sewer either at the bell of a "Y" branch or the bell of a saddle placed on the barrel of the collecting sewer.

(ac) A Customer's "SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer including the service saddle if required. In the case of Customer's served by alternative collection, the service sewer will include all pipe, equipment and appurtenances on the Customer side of the service connection.

(ad) "SEWAGE" shall mean herein a combination of water carried waste from residences, business building, institutions, and industrial establishments, together with such ground, surface, and storm waters as may be present.

(ae) A "SEWER SYSTEM" shall refer to the collecting sewer piping, wyes, manholes, cleanouts, lampholes, lift stations, pumps, treatment facilities, components and appurtenances

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MO. PUBLIC SERVICE COMM.

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Cancelling P.S.C.MO. No. All Previous Schedules

SHEET No. \_\_\_\_\_

Capital Utilities, Inc.

Name of Issuing Corporation

For Missouri Certificated Service Area

Community, Town or City

Sewer Division

Rules and Regulations  
Governing Rendering of Service

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APR 27 1992

Rule 1 DEFINITIONS (continued)

either in part or whole, used for the purpose of collecting, transporting, or treating sewage.

- (af) "SUBDIVISION" shall mean the legal dividing of a tract of land into two (2) or more tracts, lots or parcels.
- (ag) "SUSPENDED SOLIDS" is the concentration of insoluble materials suspended or dispersed waste expressed in milligrams per liter on a dry weight basis as determined by standard procedures.
- (ah) The Company's "TECHNICAL SPECIFICATIONS" shall consist of the minimum acceptable construction standards for the material and installation practices associated with the installation of sewer piping and appurtenances and will be available at the Company's office.
- (ai) The word "UNIT" shall be used herein to define the standard user or property service and shall include mobile homes or any building, residential, commercial or industrial, owned or leased and each unit of any multi-unit structure or complex.

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SHEET No.

Capital Utilities, Inc.

Name of Issuing Corporation

For Missouri Certificated Service Area

Community, Town or City

Sewer Division

Rules and Regulations  
Governing Rendering of Service

APR 27 1992

MISSOURI  
Public Service CommissionRule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEM

(a) This Rule shall govern the extension of collecting sewers as requested by the Applicant(s) in areas where there are no collecting sewers in the streets and/or roadways. The Company will extend its collecting sewers along streets, roadways or Company owned or public utility easement(s) within its certified area to serve new Customers under the following terms and conditions:

(1) Upon receipt of written application for service in compliance with Rule 4, the Company will provide the Applicant(s) an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required (excluding income tax), including manholes, cleanouts, lift stations, reconstruction of existing sewers (if necessary), and the direct costs associated with supervision, engineering, permits, easements and bookkeeping.

(2) An Applicant(s) shall enter into a contract (see Exhibit A) with the Company for the installation of said extension and shall tender to the Company a contribution in-aid-of construction equal to the amount determined in (a)1, plus the appropriate inspection or connection fee(s).

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Capital Utilities, Inc.

For Missouri Certificated Service Area

Name of Issuing Corporation

Community, Town or City

Sewer Division

Rules and Regulations

Governing Rendering of Service

APR 27 1992

MISSOURI  
Public Service CommissionRule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS  
(continued)

(3) If, as a result of reasonable unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the Applicant(s) shall pay the added cost.

(4) The cost to an Applicant or Applicants connecting to a sewer that was contributed by other Applicants shall be as follows:

(i) For single-family residential Applicants that are applying for service in a platted subdivision, the Company shall divide the actual cost of the extension by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing collecting sewers where service may be obtained shall be excluded.

(ii) For single-family residential Applicants that are applying for service in areas that are unplatted in subdivision lots, the Applicants' cost shall be equal to the total cost of the extension divided by the total length of the extension in feet times 100 feet.

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Capital Utilities, Inc.

For Missouri Certificated Service Area

Name of Issuing Corporation

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Rules and Regulations

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APR 27 1992

MISSOURI  
PUBLIC SERVICE COMMISSION**Rule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS**  
(continued)

(iii) For industrial, commercial, or multi-family residential Applicants, the cost will be equal to the amount calculated for a single-family residence in Paragraphs 4(i) or 4(ii) above multiplied times a water usage factor. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.

(5) Refunds of contributions shall be made to the original Applicant(s) as follows:

(i) Should the actual cost of extension be less than the estimated cost, the Company shall refund the difference as soon as the actual cost has been ascertained.

(ii) During the first ten (10) years after the extension is completed, the Company will refund to the original Applicants who paid for the extension monies determined in accordance with Rule 12 (a)4 above that are collected from additional Applicants connecting to that extension.

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SHEET No. \_\_\_\_\_

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Name of Issuing Corporation

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MISSOURI

Public Service Commission

Rule 12 EXTENSIONS OF COLLECTION SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS  
(continued)

- (iii) The sum of all refunds to any Applicant(s) shall not exceed the total contribution which the Applicant(s) has paid.
- (iv) Each refund shall be distributed to original Applicant(s) based upon the percentage of the actual extension cost contributed by each Applicant(s).
- (6) Extensions made under this rule shall be and remain the property of the Company in consideration of its perpetual upkeep and maintenance.
- (7) The Company reserves the right to connect future extensions to this collecting sewer or trunk sewer and the attaching of Customers to such further extensions shall not entitle Applicant(s) contracting for the original extension to additional refund.
- (8) The pipe used in making extensions under this rule shall be of a type and size which will be reasonably adequate to supply the area to be served. Such determination as to size and type of pipe shall be left solely to the judgement of the Company. If the Company desires a pipe size or lift

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MISSOURI  
Public Service CommissionRule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS  
(continued)

station larger than reasonably required to provide service to the lots abutting said extension, the additional cost due to larger size shall be borne by the Company.

(9) After the effective date of this rule, pressure sewer system will not be constructed, except existing pressure systems may be extended unless it is not reasonably possible in the opinion of the Company to Service an area or premise by gravity or with a common lift station.

(b) This Rule shall govern the construction of new treatment facilities and/or extension of new collecting sewers requested by a Developer in areas within the Company's certificated service area where the Company currently does not serve.

(1) A Developer shall enter into a contract (See Exhibit B) with the Company. The contract shall provide that the Developer may construct said collecting sewers to meet the requirements of all governmental agencies and the Company's Rules and Regulations, including the Company's Technical Specifications. The Developer shall contribute said sewer collection/treatment system to the

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month day yearISSUED BY Milton E. Leeds  
name of officerPresident, P.O. Box 7017, Jefferson City, Mo.  
title address

Milton E. Leeds

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Name of Issuing Corporation

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Community, Town or City  
Sewer DivisionRules and Regulations  
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Rule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS  
(continued)

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Company with a detailed accounting of the actual cost of construction (excluding income taxes).

- (2) The pipe used in making extensions under this rule shall be of a type and size which will be adequate to supply the area to be served. If the area is to be served by conventional gravity piping, an 8-inch minimum diameter shall be required. Such determination as to size and type of pipe shall be left solely to the judgement of the Company. If the Company desires a pipe size, lift station or treatment facility larger than reasonably required to provide service to the lots abutting said extension area, the additional cost due to larger size shall be borne by the Company.
- (3) The Company, or its representative, shall have the right to inspect and test the sewer extension prior to connecting it to the Company's collecting sewers.
- (4) Connection of the extension to existing Company collecting sewers shall be made only by a duly authorized representative of the Company.

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Sewer Division

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Rule 12 EXTENSION OF COLLECTING SEWERS AND  
ACQUISITION OF EXISTING SEWER SYSTEMS  
 (continued)

- (5) The Company shall have the right to refuse ownership and responsibility for the sewers until the Developer has met the contractual obligation as provided in Rule 12 (b)1.
- (6) The Company reserves the right to connect future extensions to any collecting sewers constructed under this contract.
- (7) After the effective date of this rule, pressure sewer system will not be constructed, except existing pressure systems may be extended unless it is not reasonably possible in the opinion of the Company to Service an area or premise by gravity or with a common lift station.
- (c) This Rule shall govern the acquisition of existing sewer systems that serve prospective Customers within the Company's certificated service area.
- (1) Developer or Owner shall negotiate and enter into a contract for the transfer of ownership of the existing sewer system with the Company. The contract shall adequately describe the sewer system to be acquired.

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Rule 12 EXTENSION OF COLLECTING SEWERS AND Public Service Commission  
ACQUISITION OF EXISTING SEWER SYSTEMS  
 (continued)

- (2) The Developer or Owner shall be required to bring the system into compliance with the Company's minimum standards. The cost of any required upgrading shall be at the Developer's or Owner's expense so as not to result in additional costs being borne by the Company's existing Customers.
- (3) The Developer or Owner shall be responsible for providing the Company clear title and adequate easements to properly operate the said sewer system.
- (4) The Company, or its representative, shall have the right to inspect and test the sewer piping prior to connecting it to the Company's collecting sewers or accepting ownership.
- (5) The Company shall have the right to refuse ownership and responsibility for the sewers until the Developer or Owner has met the contractual obligation as provided in Rule 12 (c)1.
- (6) The Company reserves the right to connect future extensions to any collecting sewers required under this contract without added compensation to the Developer or Owner.

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## EXHIBIT "A"

## EXTENSION AGREEMENT - Individual(s)

AGREEMENT between Capital Utilities, Inc., P.O. Box 7017, 312 Lafayette Street; Jefferson City, Missouri 65102, a Missouri corporation, hereinafter called the "Company" and

hereinafter called the "Applicant(s)".

WHEREAS, the Applicant(s) has requested the Company to extend its system for the expressed purpose of providing sewer service. This extension is to be constructed in accordance with the Company's Technical Specifications and will generally be routed as depicted on the attached plan or plat, referred to as Exhibit No. 1 attached hereto, and made a part of this Agreement; and

WHEREAS, the Company is willing to make such an extension upon the terms and conditions hereinafter set forth; and

WHEREAS, the Applicant(s) is willing and desires to assist in the installation of such extension and desires to bear the cost thereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Applicant(s) hereby applies to the Company for the said extension of its system, and the Company agrees to construct the said extension upon the terms and conditions hereinafter set forth.

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2. Upon execution hereof, the Applicant(s) shall deposit with the Company the sum of \_\_\_\_\_

DOLLARS (\$ \_\_\_\_\_). Such deposit shall be adjusted based upon the determination of the actual cost by Company of facilities installed including sewer pipe and appurtenances, connection fees, engineering, accounting, and legal expenses plus the cost of obtaining any necessary easements or permits from governmental agencies. If it is necessary to adjust the amount of such deposit, in accordance with the terms of this paragraph, a supplemental memorandum will be prepared setting forth the actual costs and shall be attached hereto and made a part hereof.

3. The Company will use its best efforts to commence and carry to completion as soon as possible the installation of said extension, having in mind, however, delays which may be occasioned by weather, acts of God, strikes, or other matters not within its control.

4. It is further mutually understood and agreed that the collecting sewer(s) and appurtenances within the limits of the street, avenues, roads or easement areas, whether or not attached to or serving customers but constructed as part of the extension shall be and remain the property of the Company, its successors. By the terms of this Agreement the Company may further extend or connect collecting sewers in or to other lands, streets, or easements without incurring any liability to Applicant(s) whatsoever.

5. Applicant(s) will, upon the request of the Company, grant to it an exclusive and irrevocable easement, at no cost to Company, for the

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name of officer

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Capital Utilities, Inc.

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Sewer Division

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installation, maintenance, operation, repair and replacement of said collecting sewer extension and appurtenances within the limits of any existing or proposed street, roadway, or easement area, together with right of ingress and egress thereto, in form satisfactory to the Company and duly executed and acknowledge in proper form for record. The Company shall also have the right to request additional easement area over property owned by the Applicant(s) for the purpose of future extension of system to provide service to adjacent property.

6. It is further understood and agreed by and between the parties hereto that the Company's agreement to construct the said extension is subject to the Company obtaining all necessary consents, orders, permits, easements, and approvals of public officers or public bodies having jurisdiction over or lawful interest in any of the subject matters herein. In the event that the Company, after prompt application and deligent effort, is unable to obtain any necessary consent, order, permit, easement, or approval as aforesaid, or in the event that the Company is enjoined or prevented by lawful action of any such public officer or official body from constructing the said extension, the Company shall have no obligation to the Applicant(s) to proceed with the installation until such time as the aforesaid lawful action shall be resolved.

7. It is agreed by Applicant(s) that he will not build at any time hereafter on, in or over the said easement any structure, the construction or presence of which will endanger or render

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ineffective or difficult the access to the collecting sewer or appurtenances of the Company, or lay other pipes or conduits within two (2) feet, measured horizontally or ten (10) feet for water main, measured horizontally, from the said collecting sewers except pipes crossing same at right angles in which latter case a minimum distance of eighteen (18) inches shall be maintained between the pipes. No excavation or blasting shall be carried on which in any way endangers the said collecting sewers. Provided, however, that should the Applicant(s) wish to do so, he may at his own expense provide a new location acceptable to the Company for the said collecting sewers and the Company will then move said collecting sewers and appurtenances to said new location, and the whole cost of such moving and altering and any expenses incident thereto, shall be borne by the Applicant(s). It is further understood and agreed that in case of any damage by Applicant(s) or caused by neglect of Applicant(s) to the collecting sewers or their appurtenances, connection therewith, these facilities will be repaired and brought to proper grade by the Company or Company's contractor at Applicant's expense.

8. The Company reserves the right to withdraw this proposal at anytime before it has been accepted by the Applicant(s). In the event it is not accepted and the payment for the collecting sewers main extension is not in the possession of the Company within sixty (60) days from the date this Agreement is transmitted to the Applicant(s), this proposal will be null and void.

9. During the first ten (10) years after the extension is complete, the Company will refund

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to the Applicant(s) who paid for the extension monies collected from future sewer users in accordance with the Company's Rules and Regulations on file with the Missouri Public Service Commission. This is intended to insure that future users that connect to said collecting sewers extension are assessed a fair share of the expense associated with the original cost of the said collecting sewers extension.

IN WITNESS WHEREOF, the parties hereto have agreed to the above conditions as indicated by their signatures affixed below on this \_\_\_\_\_ day of \_\_\_\_\_.

COMPANY

ATTEST:

BY

ITS

APPLICANT(S)

ATTEST:

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*Milton E. Leeds*  
name of officer  
Milton E. Leeds

President, P.O. Box 7017, Jefferson City, Mo.  
title address

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Public Service CommissionEXHIBIT "B"  
EXTENSION AGREEMENT - Developer

AGREEMENT between Capital Utilities, Inc., P.O. Box 7017, 312 Lafayette Street, Jefferson City, Missouri 65102, a Missouri corporation, hereinafter called the "Company" and \_\_\_\_\_

hereinafter called the "Developer".

WHEREAS, the Developer has requested the Company to extend or expand its system for the expressed purpose of providing sewer service. This system extension is to be constructed in accordance with the Company's Technical Specifications and will generally be routed as depicted on the attached plan or plat, referred to as Exhibit No. 1 attached hereto, and made a part of this Agreement; and

WHEREAS, the Company is willing to make such an extension upon the terms and conditions hereinafter set forth; and

WHEREAS, the Developer is willing and desires to assist in the installation of such extension and desires to bear the cost thereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Developer hereby applies to the Company for the said extension of its system, and the Company agrees to construct the said extension upon the terms and conditions hereinafter set forth.

2. Upon execution hereof, the Developer shall

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ISSUED BY

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name of officer

President, P.O. Box 7017, Jefferson City, Mo.

title

address

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Name of Issuing Corporation

For Missouri Certificated Service Area

Community, Town or City

Sewer Division

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Public Service Commission

deposit with the Company the sum of \_\_\_\_\_

DOLLARS (\$ \_\_\_\_\_). Such deposit shall be adjusted, based upon the determination of the actual cost by Company of facilities installed including sewer pipe and appurtenances, property, connection fees, engineering, accounting, and legal expenses plus the cost of obtaining any necessary easements or permits from governmental agencies or other direct costs. If it is necessary to adjust the amount of such deposit, in accordance with the terms of this paragraph, a supplemental memorandum will be prepared setting forth the actual costs and shall be attached hereto and made a part hereof.

3. The amount required for deposit may be reduced by the construction cost provided by the Developer and accepted by the Company. This may only apply in the specific case where the Developer will be the construction contractor. Such construction cost shall be attached hereto and made a part hereof.
4. The Company will use its best efforts to commence and carry to completion as soon as possible the installation of said extension, having in mind, however, delays which may be occasioned by weather, acts of God, strikes, or other matters not within its control.
5. It is further mutually understood and agreed that the collecting sewers and appurtenances within the limits of the street, avenues, roads or easement areas, whether or not attached to or serving customers but constructed as part of the extension shall be and remain the property of the Company, its successors and any collecting

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Sewer Division

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sewers installed by it pursuant to the terms of this Agreement in or to other lands, streets, easements without incurring any liability to Applicant(s) whatsoever.

6. Developer will, upon the request of the Company, grant to it an exclusive and irrevocable easement, at no cost to Company, for the installation, maintenance, operation, repair and replacement of said extension and appurtenances within the limits of any existing or proposed street, roadway, or easement area, together with right of ingress and egress thereto, in form satisfactory to the Company and duly executed and acknowledge in proper form for record. The Company shall also have the right to additional easement area over property owned by the Developer for the purpose of future extension of system to provide service to adjacent property.

7. It is further understood and agreed by and between the parties hereto that the Company's agreement to construct the said extension is subject to the Company obtaining all necessary consents, orders, permits, easements, and approvals of public officers or public bodies having jurisdiction over or lawful interest in any of the subject matters herein. In the event that the Company, after prompt application and diligent effort, is unable to obtain any necessary consent, order, permit, easement, or approval as aforesaid, or in the event that the Company is enjoined or prevented by lawful action of any such public officer or official body from constructing the said extension, the Company shall have no obligation to the

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Developer to proceed with the installation of such time as the aforesaid lawful action shall be resolved.

- B. It is agreed by Developer that he will not build at any time hereafter on, in or over the said easement any structure, the construction or presence of which will endanger or render ineffective or difficult the access to collecting sewers or appurtenances of the Company, or lay other pipes or conduits within two (2) feet, measured horizontally or ten (10) feet for water main, measured horizontally, from the said collecting sewers except pipes crossing same at right angles in which latter case a minimum distance of eighteen (18) inches shall be maintained between the pipes. No excavation or blasting shall be carried on which in any way endangers the said collecting sewers. Provided, however, that should the Developer wish to do so, he may at his own expense provide a new location acceptable to the Company for the said collecting sewers and the Company will then move said collecting sewers and appurtenances to said new location, and the whole cost of such moving and altering and any expenses incident thereto, shall be borne by the Developer. It is further understood and agreed that in case of any damage by Developer or caused by neglect of Developer to the collecting sewers or their appurtenances, connection therewith, these facilities will be repaired and brought to proper grade by the Company or Company's contractor at Developer's expense.

9. It is further mutually understood and agreed by and between the parties hereto that this Agreement is subject to all the requirements of

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address

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Name of Issuing Corporation

For Missouri Certificate of Sewer Service Area

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Sewer Division

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Rules and Regulations  
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the Company's Rules and Regulations Governing Rendering of Sewer Service currently on file with the Missouri Public Service Commission be they expressed herein or not. It is specifically noted that the Company's definition of a sewer system "extension" may refer to either continuation of piping from existing Company owned collecting sewer or the construction of an entirely new wastewater collection/treatment system.

10. The Company reserves the right to withdraw this proposal at any time before it has been accepted by the Developer. In the event it is not accepted and the payment for the sewer system extension is not in the possession of the Company within sixty (60) days from the date this Agreement is transmitted to the Developer, this proposal will be null and void.

IN WITNESS WHEREOF, the parties hereto have agreed to the above conditions as indicated by their signatures affixed below on this \_\_\_\_\_ day of \_\_\_\_\_.

COMPANY

ATTEST:

BY \_\_\_\_\_

ITS \_\_\_\_\_

DEVELOPER

ATTEST:

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Milton E. Leeds

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President, P.O. Box 7017, Jefferson City, Mo.

title

address

MEMORANDUM

To: Missouri Public Service Commission Official Case File  
Case No. WM-98-130  
Lake Carmel Development Co., Inc. and Capital Utilities, Inc.

From: Bill Meyer, Case Coordinator 1/12/98  
Janis E. Fischer, Accounting Department 1/12/98  
Jim Merciel, Water and Sewer Department 1/12/98

RE. Schellberg 1/12/98  
Director-Utility Services Division/Date

W. J. West/Henderson 1/12/98  
Director of Utility Operations Division/Date

Wm. K. Hansen 1/14/98  
General Counsel's Office/Date

Subject: Staff's Recommendation for Approval of Sale and Transfer of Franchise

Date: January 12, 1998

On September 22, 1997, a joint application was filed seeking authority for Lake Carmel Development Co., Inc. (LCD) to sell and transfer its franchise, works or system to Capital Utilities, Inc. (CU). LCD is a regulated sewer utility located in Cole County and currently provides service to 27 customers. It also owns a water system, but does not have a certificate to provide water service. CU provides regulated water and sewer service to over 1,200 customers in numerous areas of Cole, Callaway and Pettis Counties, and proposes to provide water and sewer service under its existing tariff rules and rates.

LCD was certificated as a sewer utility in Case No. 17,718 by an order issued by the Commission on October 31, 1973. It was owned by Alfred Lepper. Mr. Lepper, as developer of the area, contributed the utility plant to LCD and operated the system on behalf of LCD. After the death of Mr. Lepper, the family continued to maintain the system but was receptive to selling the system and the undeveloped lots at LCD. The approximately 130 undeveloped lots are being sold to another individual who plans to build additional homes.

After reviewing the application, the Accounting Department met with Garah F. "Rick" Helms, President of CU, to discuss the plans for the LCD property. Mr. Helms noted that the sewer system was designed for a maximum of 70 homes, which will allow for considerable customer growth. There

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January 12, 1998  
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is no plan to immediately improve the sewer system. The treatment facility would need to be expanded or upgraded if the time comes that plant capacity is exceeded due to customer growth. Mr. Helms also stated that additional storage capacity for the water system will be added. CU plans to improve the water system by using a 10,000 gallon pressure tank that was salvaged from another water system it owns. This tank would meet the Missouri Department of Natural Resources design criteria for pressure tank size. There will be no rate base involved initially, however, future plant additions should be recorded and depreciated the same as CU's existing plant. Expenses listed on Appendix 6 of the Application were based on the CU 1996 Annual Report and the average costs of similar systems already being operated by CU.

A letter was sent to Mrs. Lepper on November 12, 1997 and a response was received on December 18, 1997, in her behalf, from Loeffler Accounting which separated the water and sewer revenues that had been combined on the 1996 annual report. An analysis of LCD annual reports going back several years shows that while only the sewer utility was certificated, revenues and expenses related to sewer, water and lot sales were all combined for filing purposes. Based on the annual reports as filed, the sewer and water rates combined did not provide enough revenue for the payment of all of the expenses. This was noted on several annual reports.

The following bill comparison shows the current metered water rate being charged to customers on the uncertificated LCD water system, and CU's current approved metered water rate which is requested to become effective for this area. The current sewer rate at LCD is a flat \$4.75 per month. This rate has not changed since the mid-seventies. CU proposes to charge \$22.53 per month, which is the same as for other CU customers in Cole County. While this rate is considerably higher than the \$4.75 rate, the Staff believes that this higher rate is necessary to cover the expenses of maintaining the system, as well as to provide a reasonable level of customer service and emergency response capability.

Utility Rate Comparison		
Consumption	Lake Carmel	Capital Utilities
<b>Water (26 customers)</b>		
1,000 gallons	\$ 4.50	\$ 4.40
3,000	8.00	7.30
6,000	10.80	11.65
<b>Sewer (27 customers)</b>		
Flat Rate	\$ 4.75	\$ 22.53

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Mr. Helms informed the Staff that he had met with residents of LCD to discuss the plans for the system. He indicated that customers were primarily concerned about future expansion of the system and who would have to pay for it. Mr. Helms stated he told the residents attending that the expansion costs would be absorbed by CU on a company wide basis. He also stated his belief that the proposed rate increase for the sewer system was not a concern voiced by customers. The Staff notes there are two letters that were sent by customers responding to the customer notice. One telephone call was also received by the Staff. These customers expressed concern about the difference in rates, but also seem to understand the need for this sale to take place in order that good utility service continue into the future.

Regarding the difference in sewer rates, the Staff believes that CU's existing rates are appropriate because these rates are presently in effect for existing CU customers in Cole County. The Staff also notes that some of these customers are served by lagoon systems similar to the Lake Carmel system.

Based on our review of the application, annual reports, the interview with Mr. Helms and the Staff's inspection of the water and sewer systems, the Staff believes that this sale and transfer of assets is not detrimental to the public interest.

The Staff recommends the transfer of assets and the granting of appropriate Certificates to CU be approved. The Staff believes it is reasonable for CU to operate the water and sewer system under its existing rates and rules. The Commission's approval of the transfer of assets should also include granting CU Certificates of Convenience and Necessity (Certificates) to provide water and sewer service in the Lake Carmel area, and cancel the Certificate that was granted to LCD. CU will need to amend its water tariff and its sewer tariff to reflect the Lake Carmel service area, and the filed tariff approved for LCD will need to be canceled.

Since CU presently has no particular date set for closing on the assets, the Staff recommends that CU submit 30-day tariff filings, for water and for sewer, with the effective date to be the date to be scheduled for closing of the assets. The Commission could cancel the LCD tariff at the time the CU tariffs become effective.

To summarize, the Staff recommends that

1. The transfer of water and sewer system assets owned by LCD to CU be approved,
2. Certificates to provide water and sewer service be granted to CU for the Lake Carmel area, with such service to be provided under existing CU rates and tariffs, effective upon the effective date of tariffs to be filed by CU as described herein;
3. CU be ordered to submit tariff sheets revising its water and sewer tariffs with a map and

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legal description of the Lake Carmel area, and

4. The Certificate granted LCD, and the tariff approved for LCD, be canceled upon approval of tariffs to be filed by CU.

The Water and Sewer Department will file an additional memorandum regarding the tariffs to be filed by CU.

cc: Director - Utility Operations Division  
Director - Utility Services Division  
Director - Advisory and Public Affairs Division  
General Counsel  
Manager - Financial Analysis Department  
Manager - Accounting Department  
Manager - Water and Sewer Department  
Manager - Customer Service  
Manager - Depreciation Department  
Office of the Public Counsel  
Curt Lepper, President - Lake Carmel Development, Inc  
Rick Helms, President - Capital Utilities, Inc  
Dean Cooper-Brydon, Sweazenger & England, P C - Attorney for Applicants

Staff Positions re: Tariff Provisions: Aqua Missouri – CU-Sewer

- (1) Regarding the expansion/modification, rehabilitation or replacement of an existing sewage treatment plant that is needed due to factors such as a lack of capacity for serving existing customers, normal "wear and tear" or changes in applicable regulations, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the Company will provide the funds for the design, permitting and construction of such projects.
- (2) Regarding the expansion/modification of an existing sewage treatment plant that is needed due to requests for new service connections from individual customers, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the Company will provide the funds for the design, permitting and construction of such projects.
- (3) Regarding the expansion/modification of an existing sewage treatment plant that is needed due to a request for new service connections from a developer, as that term is defined in the Company's tariff, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the developer will provide the funds for the design, permitting and construction of such projects through the execution of a company/developer contract as set forth in the Company's tariff. Additionally, the Staff acknowledges that the company/developer contract called for by the Company's tariff may provide that the construction of the project be done by the developer subject to the Company's inspection, approval and acceptance.
- (4) Regarding the replacement of an existing sewage treatment plant that is needed due to a request for new service connections from a developer, as that term is defined in the Company's tariff, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the Company and the developer will jointly provide the funds for the design, permitting and construction of such projects through the execution of a company/developer contract as set forth in the Company's tariff, with that joint funding to be reflective of the number of existing service connections and the number of potential new service connections. Additionally, the Staff acknowledges that the company/developer contract called for by the Company's tariff may provide that the construction of the project be done by the developer subject to the Company's inspection, approval and acceptance.
- (5) Regarding the construction of a new sewage treatment plant that is needed due to a request from a developer, as that term is defined in the Company's tariff, for service in an area in which the Company does not currently provide service, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects

in a timely manner. Further, it is the Staff's understanding that the developer will provide the funds for the design, permitting and construction of such projects through the execution of a company/developer contract as set forth in the Company's tariff. Additionally, the Staff acknowledges that the company/developer contract called for by the Company's tariff may provide that the construction of the project be done by the developer subject to the Company's inspection, approval and acceptance.

(6) Regarding the extension of a sewer collecting main that is needed due to a request for a new service connection from an individual customer, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the customer will provide the funds for the design, permitting and construction of such projects through the execution of a company/customer contract as set forth in the Company's tariff. Additionally, the Staff acknowledges that the company/customer contract called for by the Company's tariff may provide that the construction of the project be done by the customer subject to the Company's inspection, approval and acceptance.

(7) Regarding the extension of a sewer collecting main that is needed due to a request for new service connections from a developer, as that term is defined in the Company's tariff, it is the Staff's position that the Company is responsible for developing the plans for such projects in a timely manner, for obtaining the necessary DNR permits for such projects in a timely manner and for constructing such projects in a timely manner. Further, it is the Staff's understanding that the developer will provide the funds for the design, permitting and construction of such projects through the execution of a company/developer contract as set forth in the Company's tariff. Additionally, the Staff acknowledges that the company/developer contract called for by the Company's tariff may provide that the construction of the project be done by the developer subject to the Company's inspection, approval and acceptance.