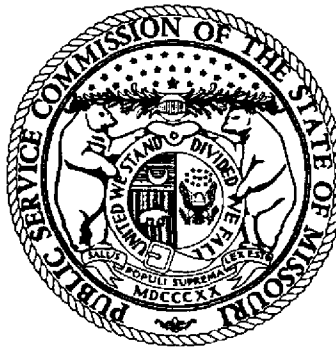


# MISSOURI PUBLIC SERVICE COMMISSION

## STAFF RESPONSE TO MISSOURI PUBLIC SERVICE COMMISSION'S APRIL 8, 2010 ORDER REGARDING AVAILABILITY CHARGES



### LAKE REGION WATER & SEWER COMPANY

CASE NO. SR-2010-0110

Horseshoe Bend Sewer  
Shawnee Bend Sewer

&

CASE NO. WR-2010-0111

Shawnee Bend Water

*Jefferson City, Missouri  
May 18, 2010*

staff Exhibit No. 43  
Date 6/24/10 Reporter DF  
File No. SR-2010-010  
WR-2010-011

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1     **I. EXECUTIVE SUMMARY**

2           As ordered by the Commission, Staff created a revenue scenario based upon  
3 Dr. Vernon Stump's testimony and the Commission's April 8, 2010 Order (the "April 8th  
4 Order"). Dr. Stump is Lake Region Water and Sewer Company's (Lake Region) president. Staff  
5 made the requested calculation based on certain assumptions which will be discussed in detail  
6 later in this report. The assumptions were based upon the Four Season's Lakesites Property  
7 Owners Association Exhibit 3 which identifies the number of undeveloped lots for the  
8 subdivision referred as Porta Cima. Lake Region, the officer of the Company, or its shareholders  
9 have not provided the necessary information to accurately determine the full impact of  
10 availability charges (commonly referred to as availability fees) that are billed and collected in  
11 Lake Region's service area, specifically the Shawnee Bend water and sewer service areas.

12           Staff calculated the Commission ordered revenue requirement scenario using availability  
13 fees as a revenue source and added back the contributed plant donated by the developer to rate  
14 base. This contributed plant is normally treated as contributions in aid of construction (CIAC)  
15 and is an offset to rate base; it is not added to rate base as the Commission's April 8<sup>th</sup> Order  
16 implies. Staff does not believe it is appropriate to add the contributed plant back to rate base as  
17 Lake Region does not have any investment in this property. The water piping distribution and  
18 sewer collection system was paid for by the developer who received recovery from the lot sales  
19 of the property sold to homeowners. It would not be appropriate to require the homeowners to  
20 pay for this property twice -- once to the developer in the sale price of the lots and a second time  
21 in water and sewer rates as part of the rate base calculation supporting Lake Region's rate  
22 structure. Thus, Staff believes the revenue requirement scenario the Commission requested to

1 include availability fees as revenues and adding back contributed plant to rate base would  
2 overstate the revenue requirement.

3 In addition to revenue requirement scenario referenced above, identified as Scenario 1,  
4 Staff is attaching two additional revenue requirement calculations to this report. The first of the  
5 additional calculations is referred to as Scenario 2 and is based on a partial level of recovery of  
6 the contributed plant made by the developer through availability fees collected over a period of  
7 time. The second calculation, identified as Scenario 3, is based on a full level of recovery of the  
8 contributed plant by the developer through availability fees and the sale of unconstructed lots --  
9 what some refer to as undeveloped lots. The three scenarios each have three revenue  
10 requirement calculations for Shawnee Bend Water and Sewer and for Horseshoe Bend Sewer  
11 operating systems. Scenarios 2 and 3 are attached as Schedule 1 to this Report. The support for  
12 the revenue requirement scenarios is attached as a separate exhibit to this filing by Staff.

13 The three scenarios can be summarized and compared to the true-up direct revenue  
14 requirement filed on April 16, 2010, corrected for small change on May 18<sup>th</sup> as follows:  
15  
16  
17  
18  
19

20 Table continues on next page...

Utility System	Staff True-up April 16, 2010 – <u>No Availability Fees and CIAC Offset to Rate Base</u>  Corrected May 18, 2010–	Scenario 1– Staff True-up April 16, 2010 -- With Availability Fees and \$5.3 million CIAC offset added to Rate Base	Scenario 2– Staff True-up April 16, 2010 – <u>With Availability Fees and \$2 million CIAC offset added to Rate Base</u>	Scenario 3– Staff True-up April 16, 2010 -- <u>With Availability Fees and No CIAC Offset added to Rate Base</u>  Corrected May 18, 2010–	Staff True-up April 16, 2010 – <u>With Availability Fees and No CIAC Offset added to Rate Base</u>  <u>Staff Recommendation</u>
Shawnee Bend Water	\$22,252	\$55,914	(\$20,633)	(\$107,348)	\$0
Shawnee Bend Sewer	112,327	61,349	(10,634)	(82,073)	0
Horseshoe Bend Sewer	44,552	117,033	80,655	44,552	44,552
<b>TOTAL</b>	<b>\$179,131</b>	<b>\$234,296</b>	<b>\$49,388</b>	<b>(\$144,869)</b>	<b>\$44,552</b>

Staff recommends the Commission use the results of Scenario 3 revenue requirement to determine rates for the three operating systems of Lake Region -- Shawnee Bend Water, Shawnee Bend Sewer and Horseshoe Bend Sewer. This scenario uses the availability fees as revenues and treats the contributed plant donated by the developer to Lake Region as contributions in aid of construction with no corresponding add back to rate base, which is consistent with the treatment afforded Ozark Shores Water Company. Staff's use of availability fees as revenues to determine rates results in over earnings for Shawnee Bend Water and Sewer operating systems. However, consistent with Staff's stated position in Mr. Featherstone's true-up direct testimony, Staff is not advocating a rate reduction for Shawnee Bend Water and Sewer operating systems, but is not proposing a rate increase for those systems either.

Staff Expert/Witness: Cary Featherstone

1    **II.    OVERVIEW**

2            The Missouri Public Service Commission (Commission) issued an order on April 8, 2010  
3 in the Lake Region Water and Sewer Company (Lake Region or Company) rate increase cases  
4 designated as Case Nos. SR-2010-0110 and SR-2010-0111 directing Staff to "file a scenario  
5 using the same methodology used for accounting for availability fees used in the rate case for  
6 Ozark Shores Water Company" (Ozark Shores). Further, the Commission asked Staff to answer  
7 the question "what would Lake Region's revenue requirement be if availability fees for the test  
8 year were included in revenue, but there was a corresponding addition to rate base as was  
9 testified to by Mr. Vernon Stump on page 561 of the Transcript?" See the Commission's  
10 April 8th Order at page 3. The Commission further Ordered Staff to file the revenue requirement  
11 scenario by April 30, 2010, which was extended to May 18, 2010.

12            The main issue is whether or not availability fees should be included as revenues in the  
13 determination of Lake Region's water and sewer rates, specifically the rates for water and sewer  
14 service on the Company's Shawnee Bend operating systems.

15            The Commission's April 8th Order identified several questions concerning availability  
16 fees which it said should be directed to "one or both of the current owners of  
17 Lake Region Water and Sewer Company, i.e. Sally Stump or Robert Schwermann; one or both of  
18 the original developers, i.e. Harold Koplal or Peter Brown; and to Lake Region's accountant,  
19 Cynthia Goldsby."

20            The Commission identified the following questions in its April 8th Order stating it  
21 wanted responses from the above individuals and "needs to know":

- 22            1) What was the original purpose for assessing the availability fees? Was  
23            it to recover initial investment in the water and sewer system, or was it  
24            to be used to maintain the water and sewer system?

- 1 2) Did and does the price for purchasing a lot in this development include  
2 any recovery for the water and sewer infrastructure?
- 3 3) Were availability fees ever considered part of revenue for  
4 Four Seasons Lakesites Water and Sewer Company for purposes of  
5 setting rates?
- 6 4) Please disclose the terms of the confidential settlement that resolved  
7 the dispute over the availability fees related to the 1998 sale of  
8 Four Seasons Lakesites Water and Sewer Company to Roy and  
9 Cindy Slates and the related assignment of rights to collect availability  
10 fees from the Shawnee Bend subdivisions, as is described in the  
11 answer to Staff's Data Request 44.1, but only to the extent those terms  
12 identify any availability fees that are subject to collection by  
13 Lake Utility Availability 1?
- 14 5) How many of the 1285 identified undeveloped lots in Lake Region's  
15 service territory have been purchased and how many are still owned by  
16 the developer?
- 17 6) How many owners of undeveloped lots are obligated to pay  
18 availability fees to Lake Utility Availability 1?
- 19 7) How many owners of undeveloped lots are billed by  
20 Lake Utility Availability 1 for availability fees, and how many owners  
21 of undeveloped lots actually pay availability fees to  
22 Lake Utility Availability 1? Please provide totals for the years 2004  
23 through the present, including how many owners of undeveloped lots  
24 were billed for and paid availability fees to Lake Utility Availability 1  
25 during the test year for this case.
- 26 8) How much of the \$5.1 million original contribution of plant has been  
27 recovered?
- 28 9) How much of the \$5.1 million original contribution of plant has been  
29 recovered from charging availability fees?
- 30 10) Please provide an accounting of all expenses associated with the  
31 billing, collection and accounting for the availability fees."

32 Staff believes that the Commission is interested in identifying the amount of the  
33 contributed plant claimed by Lake Region to be "donated" property from the developer to  
34 Lake Region's water and sewer operating systems and to establish how much of this contributed

1 property had already been recovered either by the sale price of the lots themselves or through  
2 availability charges collected by the developer.

3 Staff has attempted to answer the questions the Commission proposed above from the  
4 individuals named in the Commission's April 8th Order through a series of depositions.  
5 Subpoenas were served on the individuals named in the Commission's April 8th Order and  
6 depositions were scheduled but have not taken place to date. However, through informal  
7 discussions, some information is beginning to be produced as of May 14, 2010. As such, the  
8 Commission's questions remain unanswered from the specific individuals identified in the  
9 April 8th Order.

10 Staff reviewed the last rate case for Ozark Shores, an affiliate of Lake Region, through  
11 the Commission's docket system and case filings and discovered this case was filed in June 1997  
12 and designated as Case No. WR-99-183. It should be noted that Lake Region's president,  
13 Dr. Vernon Stump, identified the 1997 rate case as Case No. WR-98-990 [Transcript page 561 of  
14 the March 31, 2010 hearing].<sup>1</sup> The Commission issued an order dated December 10, 1998 that  
15 approved and authorized a revenue increase of \$75,283 in Case No. WR-99-183. A review of  
16 the actual EMS run used to support this revenue requirement increase for the Ozark Shores 1998  
17 rate case shows \$204,514 of availability fees were included as revenues while an amount of  
18 \$71,887 of contributed plant was taken as an offset to rate base. The methodology in the last  
19 Ozark Shores rate case did not include an add back to rate base for contributed plant in contrast

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<sup>1</sup> However, Case No. WR-98-990 never existed. That case number was used on the heading of an early version of the revenue requirement calculation found on the Exhibit Modeling System (EMS) run. A later version of the EMS run identified the case number as WR-98-991. In reality, neither of these cases were actual case numbers that ever existed within the Commission's docket system. The only case actually in existence for Ozark Shores 1998 rate case is Case No. WR-99-183. It should be noted that the reason the case took so long to process as referenced by Dr. Stump in his testimony on March 31, 2010 was because Staff had problems with accounting records relating to revenues. The problem was discovered when Staff gave the work papers to Company for review requiring additional time to identify the issue and re-calculate the revenue requirement.



1 with what Dr. Stump testified to at the March 31, 2010 hearings in this case (at transcript page  
2 561, referenced in the Commission's April 8th Order). Further, no adjustments were made to  
3 plant in service or the accumulated depreciation reserve for adding contributed plant back to rate  
4 base. Dr. Stump, then Ozark Shores vice president, reviewed the case findings for the Company  
5 and interacted with Staff to reach final resolution of this case. A copy of the certified Order in  
6 the stipulated Case No. WR-99-183 and a copy of the EMS run used to support the approved  
7 revenue increase of \$75,283 taken from the official case files of the Commission is attached as  
8 Schedule 2.

9 Lake Region responded to Staff Data Requests 113 and 114 indicating the \$71,887  
10 contributed plant "was not for plant contributed by the developer who instituted the availability  
11 fees." Lake Region's position is that if availability fees are included in the revenue requirement  
12 calculation, the related contributed plant should not be included as an offset to rate base for the  
13 contribution in aid of construction. However, Lake Region provided information in its responses  
14 to Staff data requests referenced above that there was no contributed plant made by the developer  
15 for Ozark Shores so therefore there was no donated property recorded as either plant in service or  
16 contribution in aid of construction. The \$71,887 amount identified in the Ozark Shores revenue  
17 requirement calculation as contribution in aid of construction was not related to amounts  
18 associated with the availability fees according to Lake Region responses to the above data  
19 requests. As indicated above, no plant or reserve adjustments were made in the Staff EMS run  
20 for Case No. WR-99-183.

21 Staff discussed the Ozark Shores case with Tom Imhoff, the Staff auditor in charge of the  
22 audit of Case No. WR-99-183, and he indicated there were no additional adjustments made to  
23 include plant or reserve in rate base for contributed plant-- this is verified from a review of the

1 revenue requirement calculation in the Ozark case. Mr. Imhoff indicated while he included the  
2 availability fees as revenues in that case, he did not include any contributed plant in rate base for  
3 the purpose of providing a return of donated property in which Ozark Shores would have made  
4 no investment. Lake Region responded to Staff Data Request 113 stating it had no contributed  
5 plant on the books of Ozark Shores which means there would be no contribution in aid of  
6 construction offset necessary to rate base. Ozark Shores did not have any plant donated from the  
7 developer in which it had no investment and therefore, no return or depreciation was provided by  
8 Ozark Shores customers. To the extent Ozark Shores made investment itself in utility  
9 infrastructure, then that invested capital was properly included in rate base. Since there was no  
10 contributed plant recorded for Ozark Shores, there was also no plant in service amount relating to  
11 contributed plant added to rate base. However, even though no return was required to  
12 Ozark Shores by the Company's water customers, availability fees were still included as part of  
13 the rate determination.

14 The Ozark Shores situation is unlike the Lake Region circumstances where that Company  
15 has contributed plant resulting in an offset to rate base. On Lake Region books is an amount of  
16 contributed plant of \$5,273,850 (approximately \$5.3 million which will be used in this report).  
17 This amount is recorded in the Lake Region's plant in service and accumulated depreciation  
18 accounts and is the reason this contributed plant is properly treated as contributions in aid of  
19 construction and is an offset to rate base. Since Ozark Shores did not have any recorded  
20 contributed plant there were no amounts recorded in the plant in service and accumulated  
21 depreciation accounts and no need for any offsets to rate for contributions in aid of construction.

22 For Lake Region, the treatment of contributed plant as contributions in aid of  
23 construction with no add back to plant (no return afforded the CIAC) along with the use

1 availability fees as revenues is exactly consistent with the treatment of the last Ozark Shores rate  
2 case in Case No. WR-99-183; where no return was provided for contributed plant either as  
3 recorded in plant in service or as an add back for contributions in aid of construction, as none  
4 existed. Availability fees were used in the Ozark Shores rate case as revenues to determine rates.

5 Staff continues to believe the purpose of availability fees charged to undeveloped lot  
6 owners is for the on-going maintenance, repair, construction of new plant as well as to meet  
7 operational costs to operate the utility system.

8 During the review of the case filing in Case No. WR-99-183 Staff found an Ozark Shores  
9 letter written by Dr. Stump and dated December 21, 1994 which identified an increase for  
10 availability fees for undeveloped lot owners and stated the purpose for availability fees.

11 Dr. Stump stated:

12 This letter is to notify you that the 1995 availability fee for water  
13 availability to Four Seasons' lot owners has increased from \$4.00 to \$5.00  
14 per month. This fee has not increased since the inception of the water  
15 company in 1973 and like all businesses, our costs have continued to  
16 increase with time.

17 The additional revenue generated from the fee increase will enable  
18 us [Ozark Shores] to continue to provide a sound water supply available to  
19 Four Seasons' lot owners as in the past.

20 [attached as Schedule 3]

21  
22 Additionally, in the developer's, Four Season's Lakesites, Inc, HUD property documents  
23 given to each property purchaser, it states "[a]ny value which your lot may have will be affected  
24 if the roads, **utilities** and all proposed improvements are not completed." See Schedule 4 at page  
25 1, (emphasis added).

26 Staff has made the requested calculation based on certain assumptions which will be  
27 discussed within this report. Assumptions were used because Lake Region has not provided the

1 necessary information to accurately determine the full impact of availability fees that are billed  
2 and collected in Lake Region's service area, specifically the Shawnee Bend water and sewer  
3 service areas.

4 *Staff Expert/Witness: Cary Featherstone*

5 **III. STAFF DETERMINATION OF REVENUE REQUIREMENTS FOR LAKE**  
6 **REGION'S OPERATING SYSTEMS**

7 **Basis for Scenario**<sup>2</sup>

8 Staff first calculated the revenue requirement scenario including the availability fees as a  
9 revenue source and added back contributed plant thereby increasing rate base identified in the  
10 Commission's April 8th Order. The April 8<sup>th</sup> Order specifically asked the Staff to calculate the  
11 revenue requirement scenario considering "what would Lake Region's revenue requirement be if  
12 availability fees for the test year were included in revenue, but there was a corresponding  
13 addition to rate base..." The starting point for the revenue requirement scenario was the true-up  
14 amounts presented at the April 26th true-up hearing for the three Lake Region operating systems.  
15 The table below identifies the results of the true-up, excluding the issue regarding availability  
16 fees. It also includes a minor change for the contribution in aid of construction found in the  
17 original calculation. This change related to the accumulated CIAC reserve offset to arrive at a  
18 net CIAC amount used to reduce rate base. The table shows a comparison of these true-up  
19 revenue requirements prior to any changes for the revenue requirement scenario ordered by the  
20 Commission's April 8th Order:

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<sup>2</sup> Please note this section applies to Schedule 1.

Lake Region's Operating System	Staff True-up April 16, 2010 -- No Availability Fees and CIAC offset to Rate Base	Staff True-up April 16, 2010 -- No Availability Fees and CIAC offset to Rate Base  Corrected -- May 18, 2010
Shawnee Bend Water	\$23,078	\$22,252
Shawnee Bend Sewer	\$105,533	\$112,327
Horseshoe Bend Sewer	\$41,120	\$44,552
Total	\$169,731	\$179,131

The first revenue requirement scenario calculation used availability fees shown in the true-up direct filing of April 16th that reflect a 90% collection rate. The amounts of availability fees were based on the information supplied by the Four Seasons Lakesites Property Owners Association (Property Owners) for undeveloped lots paying availability fees. On April 14, 2010, after the March hearings, the Property Owners updated and corrected an exhibit it provided the Commission. This was identified as Updated Exhibit 3 and formed the basis for the availability fees used in the true-up direct testimony. These availability fees amounts provided by the Property Owners are still the best information Staff has received to date, so have been used to calculate the revenue requirement scenario. The amounts included in the true-up revenue requirements cases for each of the Shawnee Bend Water and Sewer entities are:

	Gross Availability Charges	Collected Revenues	Net Revenues
Shawnee Bend-- water	\$144,000	90%	\$129,600
Shawnee Bend-- sewer	216,000	90%	194,400
Horseshoe Bend-- sewer	--0--	--0--	--0--
Total	\$360,000	90%	\$324,000

1 Further, Staff used a total amount of \$6.2 million as an offset to rate base to reflect  
2 contributed plant. Lake Region has indicated \$5.3 million of this amount is identified as plant  
3 "donated" by the developer of Four Seasons Lakesites in 2002 (Lake Region response to  
4 Staff Data Request 72). This amount forms the basis of how much, if any, should be included in  
5 rate base in this case if availability fees are used to determine rates for the Shawnee Bend water  
6 and sewer services. Horseshoe Bend sewer does not have any available fees so no amounts have  
7 been included for that operating system.

8 *Staff Expert/Witness: Cary Featherstone*

9 **COMMISSION ORDERED SCENARIO NUMBER 1--**

10 **Staff Calculation of the Revenue Requirement Scenario No. 1 Using**  
11 **Availability Fees and Assumed No Recovery of Contributed Plant-- \$5.3**  
12 **million CIAC added to rate base**

13 The revenue requirement scenario which the Commission identified in its  
14 April 8<sup>th</sup> Order states:

15 Staff will be directed to file a scenario using the same methodology used  
16 for accounting for availability fees used in the rate case for  
17 Ozark Shores Water Company. Thus, what would Lake Region's revenue  
18 requirement be if availability fees for the test year were included in  
19 revenue, but there was a corresponding addition to rate base as was  
20 testified to by Mr. Vernon Stump on page 561 of the Transcript?

21 [source: page 3 of the Commission's April 8, 2010 Order]

22 Pursuant to the April 8<sup>th</sup> Order, Staff provides the results of including availability fees  
23 using a 90% rate of collection and adding \$5.3 million contributed plant to rate. Still, Staff  
24 believes this calculation significantly over states the revenue requirement scenario because most,  
25 and very likely, all of the contributed plant has been fully recovered by the developer from the  
26 proceeds of lot sales, as is contemplated by Lake Region's water main and collecting sewer

1 extension rules in its approved tariffs, and possibly from availability fees already collected. This  
2 will be addressed later in this report. Further, Staff continues to believe the investment in  
3 contributed plant was recovered by the developer in the sale price of the undeveloped lots.

4 Although calculations for rates can be made that add contributed water distribution and  
5 collecting sewer pipelines back into utility rate base, to offset the presence of availability  
6 charges, the Staff does not believe it appropriate to do so in this case and would not support  
7 that position.

8 Water and sewer pipeline extension rules for Lake Region Water & Sewer Company  
9 require the "applicant" requesting the extension to construct or pay for the construction of the  
10 pipelines, then ownership would be assumed by the utility at no cost to it, and with no  
11 compensation paid toward this cost by utility customers. This type of extension rule is common  
12 amongst other regulated water and sewer utilities. In many cases, subdivision developers pay for  
13 the pipelines as a part of the subdivision development project. The cost is then recovered by the  
14 developers in the same manner as recovery of streets, storm drainage, expenses incurred for  
15 installation of other types of utilities, and common areas such as park areas, club houses and  
16 swimming pools -- that is through the sale of subdivision lots to people who may or may not  
17 construct houses upon their lots. Whether or not the developer actually recovers the expenses  
18 associated with the development project is a risk that is known and assumed when undertaking  
19 the project, and is dependent upon the ultimate success of the development venture.

20 The applicant might also be one property owner, or a group of individual property  
21 owners, perhaps not associated with a particular subdivision, but who would like to have water  
22 and/or sewer utility service at their property. Again, these applicants pay for the pipeline  
23 extensions such that the assets are given to the utility at no cost, and since they have already paid

1 for these assets the capital recovery of the pipelines is not included in rates that the water or  
2 sewer utility charges its customers. In such cases, the applicants might construct the pipelines in  
3 front of other properties, and the utility service would also become available to those properties.  
4 If the owners of those other properties decide to connect to the utility systems within a specified  
5 time frame, ten years in the case of Lake Region, then those owners pay a per lot portion of the  
6 cost of the extension which is refunded to the original applicants.

7 Lake Region, in particular, also has a provision in its extension rule that provides for  
8 applicants to pay for a new water source of supply, and a new sewage treatment facility, if  
9 distance makes it more economical to do so than to construct a very long pipeline to connect to  
10 existing facilities. Lake Region would partially fund the capital investment in these facilities  
11 based on customers who are initially connected, then refund money to the applicants as  
12 additional customers connect in the future. This investment on the part of Lake Region does  
13 become rate base, with the capital recovery included in rates charged to its utility customers.  
14 Such investment by the utility in these central facilities including wells, storage tanks and  
15 sewage treatment plants is common among most water and sewer utilities.

16 The reason the Staff is opposed to rate base treatment of the pipeline extensions is that it  
17 would be contrary to the extension rules as required of applicants requesting extensions, and  
18 would allow the utility to recover capital for assets that was contributed to it which results in  
19 utility customers paying rates to pay for the assets twice, first through purchase of a lot and  
20 second through utility rates. In addition, since recovery of the contributed assets is not now and  
21 never has been intended to be included in approved rates of Lake Region, then to assume that  
22 capital recovery is realized through availability charges requires a belief that utility customers do  
23 not pay for the pipelines, but lot owners who pay availability charges do pay for the pipelines.



1 This concept is not logical, and the Staff believes it is not sensible to seriously consider such  
2 an arrangement.

3 For reasons that have been stated in both written and oral testimony, the Staff believes the  
4 availability charges are for the purpose of supplementing utility revenue to support the utility  
5 infrastructure for the repairs, maintenance, construction of new plant and the overall operations  
6 of the Company to provide utility services. The Staff does not believe that availability charges  
7 ever were created for the purpose of recovery of capital. And, the Staff strongly recommends  
8 against inclusion of what is intended by approved rules to be contributed plant in utility  
9 rate base.

10 *Staff Expert/Witness: James A. Merciel Jr. P.E.*

11 The results of the revenue requirement Scenario 1 using 90% of collected availability  
12 fees as revenues and adding \$5.3 million back to rate base are:

<b>Lake Region's Operating System</b>	<b>Staff True-up April 16, 2010 – No Availability Fees and CIAC offset to Rate Base</b>	<b>Staff True-up April 16, 2010 – No Availability Fees and CIAC offset to Rate Base  Corrected – May 18, 2010</b>	<b>Staff True-up April 16, 2010 – With Availability Fees and \$5.3 million CIAC offset added to Rate Base</b>
<b>Shawnee Bend Water</b>	<b>\$23,078</b>	<b>\$22,252</b>	<b>\$55,914</b>
<b>Shawnee Bend Sewer</b>	<b>\$105,533</b>	<b>\$112,327</b>	<b>\$61,349</b>
<b>Horseshoe Bend Sewer</b>	<b>\$41,120</b>	<b>\$44,552</b>	<b>\$117,033</b>
<b>Total</b>	<b>\$169,731</b>	<b>\$179,131</b>	<b>\$234,296</b>

13 Staff does not recommend the implementation of rates for Scenario 1.

### Lake Region Water and Sewer Company's Revenue Requirement Scenario

While the Commission ordered Staff to file the revenue requirement scenario including availability fees as revenues and "add back" CIAC as suggested by Dr. Stump at the hearings held March 31, 2010, on April 30, 2010 Lake Region filed a calculation it believed the Commission requested. This calculation showed a much higher revenue requirement than the true-up direct revenue requirement or even what Lake Region filed in this case. The following table is a comparison of the amount of the true-up revenue requirement based on amounts presented at the April 26th true-up hearing, the amount calculated by Lake Region for the revenue requirement scenario and the revised and original amounts requested by the Company when it filed its tariffs:

Lake Region's Operating System	Staff True-up April 16, 2010 – No Availability Fees and CIAC offset to Rate Base	Staff True-up April 16, 2010 – No Availability Fees and CIAC offset to Rate Base Corrected May 18, 2010–	Staff True-up April 16, 2010 – With Availability Fees and No CIAC offset added back to Rate Base Staff Recommendation	Lake Region April 30, 2010 Filing – With Availability Fees and CIAC added back to Rate Base	Lake Region's Revised December 7, 2009 Direct Filling – No Availability Fees and CIAC offset to Rate Base	Lake Region's Original October 7, 2009 Direct Filling – No Availability Fees and CIAC offset to Rate Base
Shawnee Bend Water	\$23,078	\$22,252	\$0	\$250,951	\$28,182	\$46,800
Shawnee Bend Sewer	\$105,533	\$112,327	\$0	\$219,507	\$109,133	\$123,822
Horseshoe Bend Sewer	\$41,120	\$44,552	\$44,552	\$147,936	\$78,307	\$160,600
Total	\$169,731	\$179,131	\$44,552	\$618,396	\$215,622	\$331,223

### Contributions in Aid of Construction

Staff examined the levels of Contributions in Aid of Construction recorded on Lake Region's books for the period 1999 to 2009. It also identified the levels for Ozark Shores. These amounts are shown in the following table:

Year	Lake Region Contributed Plant	Ozark Shores Contributed Plant
1998	\$n/a	\$137,312
1999	31,537	162,442
2000	31,537	167,832
2001	31,537	184,652
2002	5,305,387	209,547
2003	5,305,387	245,727
2004	5,359,842	276,507
2005	5,426,112	316,557
2006	5,502,082	353,577
2007	6,300,726	384,668
2008	6,324,856	401,274

Source: Data Request 45 -- General Ledgers for Lake Region and Ozark Shores

The significant increase in contributed plant that occurred in 2002 for Lake Region was the result of the donated property from the developer. The amount of CIAC for Ozark Shores was included for comparison purposes. It should be noted that the amount of CIAC for Ozark Shores in Case No. WR-99-183, its last rate case, was \$71,887 based on the test year December 31, 1996.

#### IV. CONCLUSION

Staff continues to support the use of availability fees to determine rates for the Shawnee Bend water and sewer operating systems of Lake Region. As Horseshoe Bend does not have availability fees associated with its service area there are no additional revenues to consider for this operating system. Staff believes availability fees were originally collected from the undeveloped lot owners by Lake Region shareholders to support the utility operations of Shawnee Bend. Staff does not support the revenue requirement scenario in which the Commission asked to Staff to conduct.

1       Scenario 3, attached at Appendix A is what Staff would recommend the Commission use  
2 to determine the proper rate increase for Lake Region in this case. Therefore, Staff is only  
3 supporting an increase of \$44,552 for the Horseshoe Bend sewer operating system.

**BEFORE THE PUBLIC SERVICE COMMISSION**

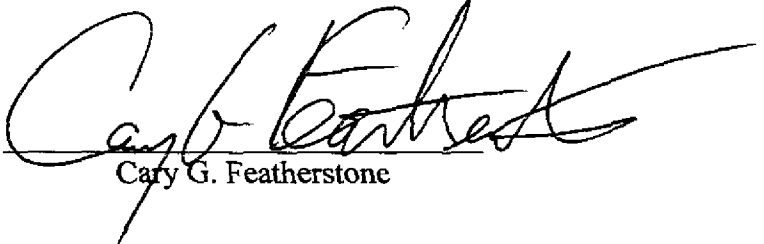
**OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer ) SR-2010-0110  
Company's Application to Implement a ) Case No. AND  
General Rate Increase in Water and Sewer ) WR-2010-0111  
Service. )

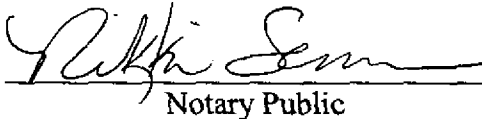
**AFFIDAVIT OF CARY G. FEATHERSTONE**

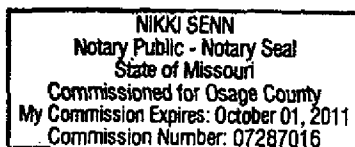
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 1-20 and Schedules; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

  
Cary G. Featherstone

Subscribed and sworn to before me this 18<sup>th</sup> day of May, 2010.

  
Notary Public



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer ) SR-2010-0110  
Company's Application to Implement a ) Case No. AND  
General Rate Increase in Water and Sewer ) WR-2010-0111  
Service. )

**AFFIDAVIT OF THOMAS M. IMHOFF**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 9 and 10; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Thomas M. Imhoff  
Thomas M. Imhoff

Subscribed and sworn to before me this 18<sup>th</sup> day of May, 2010.

Nikki Senn  
Notary Public

NIKKI SENN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Osage County  
My Commission Expires: October 01, 2011  
Commission Number: 07287016

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer ) SR-2010-0110  
Company's Application to Implement a ) Case No. AND  
General Rate Increase in Water and Sewer ) WR-2010-0111  
Service. )

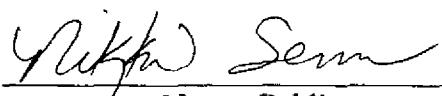
**AFFIDAVIT OF JAMES A. MERCIEL JR., P.E.**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

James A. Merciel Jr., P.E., of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 15, 16, and 17; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

  
James A. Merciel Jr., P.E.

Subscribed and sworn to before me this 18<sup>th</sup> day of May, 2010.

  
Notary Public

NIKKI SENN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Osage County  
My Commission Expires: October 01, 2011  
Commission Number: 07287016

## **SCHEDULE 1**

### **SCENARIO NUMBER 2--**

**Staff Calculation of the Revenue Requirement Scenario No. 2 Using Availability Fees and Partially Recovered Contributed Plant-- \$2 million CIAC added to rate base**

Using the same availability fee amounts for the above revenue requirement scenario, Staff also calculated this revenue requirement scenario by determining the level of availability fees that have already been collected from undeveloped lot owners from the period of 2003 to 2010. The owners of undeveloped lots have paid almost \$3.2 million of availability fees since 2003.

In examining the updated Property Owners Exhibit 3, the undeveloped lots range from a low of 1,285 in 2010 to a high of 1,427 in 2003. The following table represents the information provided in the Property Owners updated Exhibit 3 as well as calculations made by Staff quantifying the water and sewer availability fees for the Shawnee Bend service area:

<b>Year</b>	<b>Unimproved Sold Lots</b>	<b>Annual Water Availability Charges-- \$120</b>	<b>Annual Sewer Availability Charges-- \$180</b>	<b>TOTAL</b>
2003	1,427	171,240	256,860	428,100
2004	1,392	167,040	250,560	417,600
2005	1,361	163,320	244,980	408,300
2006	1,318	158,160	237,240	395,400
2007	1,298	155,760	233,640	389,400
2008	1,289	154,680	232,020	386,700
2009	1,287	154,440	231,660	386,100
2010	1,285	154,200	231,300	385,500
<b>TOTAL</b>		<b>\$1,278,840</b>	<b>\$1,918,260</b>	<b>\$3,197,100</b>

Source: Property Owners Updated Exhibit 3



These undeveloped lot owners have paid availability fees much longer than 2003 so this amount is understated. Most, if not all, of the \$5.3 million contributed plant that Lake Region asserts was contributed by the developer has already been recovered through the collected availability fees, in addition to the developer's revenue derived from lot sales.

Staff calculated this revenue requirement scenario deducing the \$3.2 million availability fees from the \$5.3 million contributed plant resulting in only \$2.1 million that is added back to rate base [actual amounts are \$5,273,850 less 3,197,100 equals \$2,076,750 added back to rate base]. However, Staff believes this amount will also overstate the revenue requirement scenario because all the contributed plant has been fully recovered through the price of the lot sales as well as the collection of availability fees prior to 2003.

In the actual scenario calculations Staff used the amounts of contributed plant broken out between water and sewer systems of Lake Region's Shawnee Bend and the sewer system of Horseshoe Bend sewer system. The break-down of these appear as follows:

	<b>Shawnee Bend Water</b>	<b>Shawnee Bend Sewer and Horseshoe Bend Sewer --Combined--</b>	<b>TOTAL</b>
<b>Contributed Plant</b>	<b>\$2,288,550</b>	<b>\$2,985,300</b>	<b>\$5,273,850</b>
<b>Availability Charges</b>	<b>1,278,840</b>	<b>1,918,260</b>	<b>3,197,100</b>
<b>TOTAL</b>	<b>\$1,009,710</b>	<b>\$1,067,040</b>	<b>\$2,076,750</b>

The results of the revenue requirement Scenario 2 using 90% of collected availability fees as revenues and adding back approximately \$2 million to rate base are:

<b><u>Lake Region's Operating System</u></b>	<b>Staff True-up April 16, 2010 -- No Availability Fees and CIAC Offset to <u>Rate Base</u></b>	<b>Staff True-up April 16, 2010 -- <u>No Availability</u> Fees and CIAC Offset to <u>Rate Base</u>  Corrected -- May 18, 2010</b>	<b>Staff True-up April 16, 2010 -- <u>With Availability</u> Fees and \$2 million CIAC offset added to <u>Rate Base</u></b>
<b>Shawnee Bend Water</b>	<b>\$23,078</b>	<b>\$22,252</b>	<b>(\$20,633)</b>
<b>Shawnee Bend Sewer</b>	<b>\$105,533</b>	<b>\$112,327</b>	<b>(\$10,634)</b>
<b>Horseshoe Bend Sewer</b>	<b>\$41,120</b>	<b>\$44,552</b>	<b>\$80,655</b>
<b>Total</b>	<b>\$169,731</b>	<b>\$179,131</b>	<b>\$49,388</b>

Staff does not recommend the implementation of rates for Scenario 2.

### **SCENARIO NUMBER 3—**

**Staff Calculation of the Revenue Requirement Scenario No. 3 Using Availability Fees and Fully Recovered Contributed Plant-- no CIAC added to rate base**

Staff believes the contributed plant has been fully recovered through the price of the lot sales and through availability fees collected from 1995 – the present. Even if the sales price did not provide complete recovery of the contributed plant, the collection of availability fees prior to 2003 would more than allow full recovery of this donated property.

Therefore, it is unnecessary and in violation of Lake Region's tariffs to add back any amount of contributions in aid of construction. As such, Staff has calculated the revenue

requirement scenario consistent with the revenue requirement calculations for Lake Region's operating systems presented at the true-up hearing held April 26th.

The results of the revenue requirement Scenario 3 using 90% of collected availability fees as revenues and not adding any amount back to rate base are as follows:

<u>Lake Region's Operating System</u>	Staff True-up April 16, 2010 -- <u>No Availability Fees and CIAC Offset to Rate Base</u>	Staff True-up April 16, 2010 -- <u>No Availability Fees and CIAC Offset to Rate Base</u>  Corrected May 18, 2010--	Staff True-up April 16, 2010 -- <u>With Availability Fees and No CIAC Offset added to Rate Base</u>  Corrected May 18, 2010--	Staff True-up April 16, 2010 -- <u>With Availability Fees and No CIAC Offset added to Rate Base</u>  <u>Staff Recommendation</u>
Shawnee Bend Water	\$23,078	\$22,252	(\$107,348)	\$0
Shawnee Bend Sewer	105,533	112,327	(82,073)	0
Horseshoe Bend Sewer	41,120	44,552	44,552	44,552
<b>Total</b>	<b>\$169,731</b>	<b>\$179,131</b>	<b>(\$144,869)</b>	<b>\$44,552</b>

Staff continues to recommend no rate increase be authorized for Shawnee Bend water and sewer operating systems because the availability fees more than offset the need for a rate increase.

The following table identifies the results of the true-up revenue requirement determined for the true-up should the Commission decide availability fees be included in the ratemaking process with no corresponding add back to rate base for contributed plant as presented at the April 26th true-up hearing. Also, the current recommendation is included reflecting the correction for the CIAC reserve discussed above:

<b>Lake Region Operating System</b>	<b>True-up Annual Revenue Requirement through March 31, 2010 at mid-point ROE of 8.5%</b>	<b>Staff True-up April 16, 2010 – With Availability Fees and No CIAC offset added to Rate Base– Corrected May 18, 2010 Staff Recommendation</b>
<b>Shawnee Bend Water</b>	<b>\$0</b>	<b>\$0</b>
<b>Shawnee Bend Sewer</b>	<b>\$0</b>	<b>\$0</b>
<b>Horseshoe Bend Sewer</b>	<b>\$41,120</b>	<b>\$44,552</b>
<b>Total</b>	<b>\$41,120</b>	<b>\$44,552</b>

Source: Staff Exhibit Model System-- Schedules 5 at time of True-up direct

Staff believes the contributed property has been fully recovered in rates through the sale price of the undeveloped lots alone. If the collection of availability fees are considered just between 2003 to 2010 then there is no doubt the infrastructure investment made by the developer has been fully recovered. Staff has determined that \$3.2 million has been collected in availability fees from 2003 to 2010. This \$3.2 million level does not reflect all availability fees since they existed prior to 2003 and any collections prior to this date are not included in this amount. However, assuming the \$3.2 million availability fees were collected for the period 2003 to 2010 in addition to availability fees collected prior to 2003, the investment in contributed plant has been recovered. Considering the undeveloped lot sales-- which Staff continues to believe is where the developer has actually recovered its investment in contributed plant, or at the very least had the opportunity to do so-- plus the collected availability fees, all investment made by the developer for the water and sewer infrastructure was fully recovered. No corresponding add back of contributed plant to rate base is necessary.

The General Manager (John Summers) of the Public Water Supply District Number Four of Camden County (Water District) indicated his belief that it was possible the developer

recovered some of the contributed plant investment through the lot sales. At page 12 of his true-up rebuttal testimony (Lake Region Exhibit 12) Mr. Summers admitted it was possible to recover at least some of the infrastructure investment through the sale of the undeveloped lots when he replied to the following question:

Q. Is it possible that the Developer recouped a portion of its investment through the lot sales as Mr. Featherstone suggests?

A. Oh yes. However, I don't have that information and I suspect the Developer did not track costs recouped by lot. Mr. Merciel testified in his Rebuttal Testimony "[T]he value of any given lot, anywhere, is what it is, based on any number of factors including utility availability, and an extra recurring payment does not do anything to increase the value of the lot" This seems to be a very clear statement that lot prices are based on the overall real estate market and a Developer may or may not have recouped his development costs which would include the water/sewer infrastructure as well as his other development costs.

What is clear from the above statement is that it is very likely that developers recovered all, or at least a significant sum of the utility infrastructure through the lot sales even from Lake Region's perspective. Staff continues to believe that all utility infrastructure costs were recovered from the lot sales. As is common among water and sewer utilities, Lake Region's extension rules require developers to construct and contribute water and sewer pipelines to the utility, and recover the capital costs of those subdivision improvements along with other subdivision development improvements through lot sales revenue. In this manner, utility customers in effect pay for the pipelines when they purchase lots, and do not pay for these capital costs a second time through utility rates. Taken the substantial amount of availability fees collected from the time they were first billed from the undeveloped lot owners, if applied to the capital costs of the utility pipelines, the full recovery of the development costs has occurred.

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
JEFFERSON CITY  
December 10, 1998**

**CASE NO: WR-99-183**

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

**General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102**

**Roger Sallee  
Ozark Shores Water Company  
P.O. Box 9  
Lake Ozark, MO 65049**

**Enclosed find certified copy of ORDER in the above-numbered case(s).**

**Sincerely,**



**Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge**

**Uncertified Copy:**

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 10th  
day of December, 1998.

In the Matter of Ozark Shores Water Company for ) Case No. WR-99-183  
a Small Company Rate Increase. ) (Tariff File 9700873)

ORDER APPROVING TARIFF

Pursuant to the Commission's informal rate procedure, on June 27, 1997, Ozark Shores Water Company (Company) filed a tariff designed to increase its rate for water service. In its request, the Company stated that it was seeking changes to its monthly customer rates that would result in an increase of \$81,123 (15 percent) in its total annual water operating revenues. The Company also wished to increase certain service charges. At the time of its request, the *Company provided water service to approximately 1,009 residential customers and 16 commercial customers.*

The Company notified its customers of its request by a letter dated July 15, 1997. The contents of this letter had been previously approved by the Staff of the Public Service Commission (Staff). The Staff received one letter as a result of the Company's July 1997 customer notice. The letter requested denial of the rate increase if it applies to unimproved lot owners in Four Seasons. Staff noted, however, that the rate increase does not apply to unimproved lot owners. The Office of the Public Counsel (OPC) received two customer letters addressing the initial customer notice. The first letter, a fax, referred to complaints about

the mineral content in the water. The second letter expressed a complaint that the proposed 15 percent increase seemed steep, and stated that substantial growth has greatly increased the Company's income.

Based upon its audit of the Company's books and records, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, the Staff concluded that the Company could justify an increase of \$75,283 in its annual water service operating revenues. In addition, the Staff concluded that, based upon an analysis of charges for other utilities, the requested increase in the reconnection charges to \$25.00 from \$10.00 is appropriate. The Staff also determined that a "Returned Check Fee" is appropriate and recommended that a "Reconnection of Service for Seasonal Disconnects Charge" be implemented. The Staff recommended no changes to the Company's system operations as a result of its investigation of the Company's request.

By a letter dated August 24, 1998, the Company stated its agreement with the Staff's recommended increase of \$75,283 in the Company's annual operating revenues. On September 22, 1998, Mr. John Coffman of the OPC verbally advised the Staff that the OPC had not yet made a final decision about the recommended increase, but that it agreed with Staff that the company should send a notice to its customers regarding the Staff's recommended increase.

On October 27, 1998, the Company submitted a written Agreement Regarding Disposition of Small company Rate Increase Request and a copy of the Company's notice to its customers regarding the rate increase

**SCHEDULE 2-3**



agreement between the Company and the Staff. As with the first notice, the Company requested that its customers' questions or comments be directed to the Staff and/or the OPC.

Regarding the Company's second customer notice, the Staff received one customer fax and one customer telephone call. The customer who telephoned complained about the magnitude of the increase and requested that a public hearing be held. The customer that submitted the fax complained about the period allowed for payments, requested the Company initiate an automatic payment withdrawal program, requested more time to pay the water bill before shutting off the water, and stated that the language regarding seasonal reconnections was confusing. Additionally, the OPC advised the Staff of two customer responses (one letter and one fax) which it had received in response to the second customer notice.

The fax received by OPC was the same one that the Staff received. The letter OPC received complained that the increase "is outrageous."

The OPC sent a letter on November 19, to the Staff and the Company which indicated that the OPC was in agreement with the proposal. On November 30, the Staff filed a recommendation that the Commission approve the tariff sheets listed below, for service rendered on and after December 11, 1998:

P.S.C. MO. No. 1

1st Revised Sheet No. 11, Canceling Original Sheet No. 11

3rd Revised Sheet No. 14, Canceling 2nd Revised Sheet No. 14

1st Revised Sheet No. 14A, Canceling Original Sheet No. 14A

**SCHEDULE 2-4**

The Staff further recommended and requested that the Commission's order include approval of the depreciation rates set out in Attachment G to the recommendation.

The Commission finds the proposed tariff sheets (tariff file 9700873), as submitted on October 27, 1998, to be reasonable and justified. The Commission will adopt the proposed tariff for service on or after December 11, 1998.

**IT IS THEREFORE ORDERED:**

1. That the following tariff sheets, filed October 27, 1998, by Ozark Shores Water Company, are approved for service on or after December 11, 1998:

P.S.C. MO. No. 1

1st Revised Sheet No. 11, Canceling Original Sheet No. 11  
3rd Revised Sheet No. 14, Canceling 2nd Revised Sheet No. 14  
1st Revised Sheet No. 14A, Canceling Original Sheet No. 14A

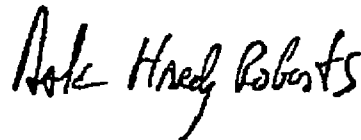
2. That the depreciation rates set out in an attachment to the Staff's November 30, 1998, memorandum are approved.

3. That this order shall become effective on December 11, 1998.

4. That this case may be closed after December 12, 1998.

**BY THE COMMISSION**

( S E A L )



**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

Lumpe, Ch., Crumpton, Drainer,  
Murray and Schemenauer, CC.,  
concur.

Ruth, Regulatory Law Judge

**SCHEDULE 2-5**

AL/Sec'y: Ruth/Repe

10/09/98 WR-99-182  
Date Circulated CASE NO.

LB  
Lumpe, Chair

JD  
Saumpton, Commissioner

CS  
Murray, Commissioner

JS  
Schemenauer, Commissioner

Del  
Draiser, Vice-Chair

12/10/98  
Agenda Date

Action taken: S.C.A.

Must Vote Not Later Than \_\_\_\_\_

STATE OF MISSOURI  
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and  
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,  
Missouri, this 10th day of December, 1998.

Dale Hardy Roberts  
Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

Accounting Schedule: 1

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: NR-98-991

Test year ending 12/31/96

Revenue Requirement

Line 10.04%  
Return

(A)	(B)
1 Net Orig Cost Rate Base (Sch 2)	\$ 1,888,966
2 Rate of Return	10.04%
*****	
3 Net Operating Income Requirement	\$ 189,652
4 Net Income Available (Sch 6)	\$ 142,780
*****	
5 Additional NOIBT Needed	\$ 46,872
6 Income Tax Requirement (Sch 8)	
7 Required Current Income Tax	\$ 42,070
8 Test Year Current Income Tax	\$ 13,659
*****	
9 Additional Current Tax Required	\$ 28,411
10 Required Deferred ITC	\$ 0
11 Test Year Deferred ITC	\$ 0
*****	
12 Additional Deferred ITC Required	\$ 0
*****	
13 Total Additional Tax Required	\$ 28,411
*****	
14 Gross Revenue Requirement	\$ 75,283
*****	

Accounting Schedule: 1-1

**SCHEDULE 2-7**

Attachment B-1

Accounting Schedule: 2

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 2,152,537
Subtract from Total Plant	
2 Depreciation Reserve (Sch 4)	\$ 191,240
3 Net Plant in Service	\$ 1,961,297
Add to Net Plant in Service	
4 Cash Working Capital (Sch )	\$ 0
5 Materials and Supplies-Exempt	28,034
6 Prepaid Insurance	7,109
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Advances for Construction	0
12 Contribution in aid of Construction	71,887
13 Deferred Income Taxes-Depreciation	35,587
14 Total Rate Base	\$ 1,888,966

Accounting Schedule: 2-1

**SCHEDULE 2-8**  
Attachment E-2

Accounting Schedule: 3

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.100	Organization	\$ 28,717	\$ 0	100.0000	\$ 0	\$ 28,717
2	302.100	Franchises	0	0	100.0000	0	0
3	303.000	Miscellaneous Intangible Plant	34,112	0	100.0000	0	34,112
4		Total	\$ 62,829	\$ 0		\$ 0	\$ 62,829
Source of Supply & Pumping Plant							
5	310.000	Land & Land Rights	\$ 21,276	\$ 0	100.0000	\$ 0	\$ 21,276
6	314.000	Wells & Springs	197,314	0	100.0000	0	197,314
7	325.000	Electric Pumping Equipment	75,829	0	100.0000	0	75,829
8	328.000	Other Pumping Equipment	521	0	100.0000	0	521
9		Total	\$ 294,940	\$ 0		\$ 0	\$ 294,940
Water Treatment Plant							
10	331.000	Structures & Improvements	\$ 49,388	\$ 0	100.0000	\$ 0	\$ 49,388
11	332.000	Water Treatment Equipment	18,280	0	100.0000	0	18,280
12		Total	\$ 67,668	\$ 0		\$ 0	\$ 67,668
Transmission & Distribution Plant							
13	330.400	Distribution Reservoirs & Standpipe	\$ 198,665	\$ 0	100.0000	\$ 0	\$ 198,665
14	343.000	Transmission & Distribution Mains	1,327,852	0	100.0000	0	1,327,852
15	346.000	Meters & Meter Installations	145,735	0	100.0000	0	145,735
16	348.000	Hydrants	317	0	100.0000	0	317
17		Total	\$ 1,672,569	\$ 0		\$ 0	\$ 1,672,569

Accounting Schedule: 3-1

**SCHEDULE 2-9**

Attachment E-3

Accounting Schedule: 3

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
General Plant							
18	391.000	Office Furniture & Equipment	\$ 13,894	\$ 0	100.0000	\$ 0	\$ 13,894
19	392.000	Transportation Equipment	36,395	0	100.0000	0	36,395
20	396.000	Power Operated Equipment	330	0	100.0000	0	330
21	397.000	Communication Equipment	2,233	0	100.0000	0	2,233
22	398.000	Miscellaneous Equipment	1,679	0	100.0000	0	1,679
23		Total	\$ 54,531	\$ 0		\$ 0	\$ 54,531
*****							
24		Total Plant In Service	\$ 2,152,537	\$ 0		\$ 0	\$ 2,152,537
*****							

Accounting Schedule: 3-2

**SCHEDULE 2-10**

Attachment E-4

Accounting Schedule: 4

Boltz

14:38 08/07/1998

## Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.100	Organization	\$ 4,308	\$ 0	100.0000	\$ 0	\$ 4,308
2	302.100	Franchises	0	0	100.0000	0	0
3	303.000	Miscellaneous Intangible Plant	14,077	0	100.0000	0	14,077
4		Total	\$ 18,385	\$ 0		\$ 0	\$ 18,385
Source of Supply & Pumping Plant							
5	314.000	Wells & Springs	\$ 14,078	\$ .0	100.0000	\$ 0	\$ 14,078
6	325.000	Electric Pumping Equipment	5,410	0	100.0000	0	5,410
7	328.000	Other Pumping Equipment	1,304	0	100.0000	0	1,304
8		Total	\$ 20,792	\$ 0		\$ 0	\$ 20,792
Water Treatment Plant							
9	331.000	Structures & Improvements	\$ 3,524	\$ 0	100.0000	\$ 0	\$ 3,524
10	332.000	Water Treatment Equipment	1,304	0	100.0000	0	1,304
11		Total	\$ 4,828	\$ 0		\$ 0	\$ 4,828
Transmission & Distribution Plant							
12	342.000	Distribution Reservoirs & Standpipe	\$ 14,174	\$ 0	100.0000	\$ 0	\$ 14,174
13	343.000	Transmission & Distribution Mains	94,737	0	100.0000	0	94,737
14	346.000	Meters & Meter Installations	10,398	0	100.0000	0	10,398
15	349.000	Hydrants	23	0	100.0000	0	23
16		Total	\$ 119,332	\$ 0		\$ 0	\$ 119,332

Accounting Schedule: 4-1

SCHEDULE 2-11

Attachment E-5



Accounting Schedule: 4

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictiona
		(A)	(B)	(C)	(D)	(E)	(F)
General Plant							
17	391.000	Office Furniture & Equipment	\$ 6,897	\$ 0	100.0000	\$ 0	\$ 6,897
18	392.000	Transportation Equipment	18,038	0	100.0000	0	18,038
19	396.000	Power Operated Equipment	247	0	100.0000	0	247
20	397.000	Communication Equipment	1,462	0	100.0000	0	1,462
21	398.000	Miscellaneous Equipment	1,259	0	100.0000	0	1,259
22		Total	\$ 27,903	\$ 0		\$ 0	\$ 27,903
*****							
23		Total Depreciation Reserve	\$ 191,240	\$ 0		\$ 0	\$ 191,240
*****							

Accounting Schedule: 4-2

**SCHEDULE 2-12**

Attachment E-6

Accounting Schedule: 5

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.100	Organization	\$ 28,717	0.0000	\$ 0
2	302.100	Franchises	0	0.0000	0
3	303.000	Miscellaneous Intangible Plant	34,112	0.0000	0
4		Total	\$ 62,829		\$ 0
Source of Supply & Pumping Plant					
5	310.000	Land & Land Rights	\$ 21,276	0.0000	\$ 0
6	314.000	Wells & Springs	197,314	2.0000	3,946
7	325.000	Electric Pumping Equipment	75,829	10.0000	7,583
8	328.000	Other Pumping Equipment	521	5.0000	26
9		Total	\$ 294,940		\$ 11,555
Water Treatment Plant					
10	331.000	Structures & Improvements	\$ 49,388	2.5000	\$ 1,235
11	332.000	Water Treatment Equipment	18,280	2.9000	530
12		Total	\$ 67,668		\$ 1,765
Transmission & Distribution Plant					
13	330.400	Distribution Reservoirs & Standpipe	\$ 198,665	2.5000	\$ 4,967
14	343.000	Transmission & Distribution Mains	1,327,852	2.0000	26,557
15	346.000	Meters & Meter Installations	145,735	2.7000	3,935
16	348.000	Hydrants	317	2.5000	8
17		Total	\$ 1,672,569		\$ 35,467

Accounting Schedule: 5-1

**SCHEDULE 2-13**

Attachment E-7

Accounting Schedule: 5

Boltz

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
		General Plant			
18	391.000	Office Furniture & Equipment	\$ 13,894	5.0000	\$ 695
19	392.000	Transportation Equipment	36,395	13.0000	4,731
20	396.000	Power Operated Equipment	330	6.7000	22
21	397.000	Communication Equipment	2,233	6.7000	150
22	398.000	Miscellaneous Equipment	1,679	5.0000	84
23		Total	\$ 54,531		\$ 5,682
24		Total Depreciation Expense	\$ 2,152,537		\$ 54,469

Accounting Schedule: 5-2

**SCHEDULE 2-14**

Attachment E-8

Accounting Schedule: 6

Imhoff

14:38 08/07/1998

## Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
<b>Operating Revenues</b>							
1		Interest Income	\$ 36	\$ 0	100.0000	\$ 0	\$ 36
2		Metered Water	313,141	0	100.0000	44,125 S-1	357,266
3		Availability Charges	204,514	0	100.0000	0	204,514
4		Re-Connect Fees	40	0	100.0000	0	40
5		Other Income	14,527	0	100.0000	0	14,527
6		Late Charges	1,911	0	100.0000	0	1,911
7		<b>Total</b>	<b>\$ 534,169</b>	<b>\$ 0</b>		<b>\$ 44,125</b>	<b>\$ 578,294</b>
<b>Operation &amp; Maintenance Expense</b>							
8		Bad Debts Expense	\$ 341	\$ 0	100.0000	\$ 0	\$ 341
9		Advertising Expense	50	0	100.0000	0	50
10		Bank Charges	1,152	0	100.0000	0	1,152
11		Building Maintenance	4,058	0	100.0000	0	4,058
12		Chlorine Expense	1,254	0	100.0000	0	1,254
13		Computer Expense	682	0	100.0000	0	682
14		Contract Services - Accounting	10,509	0	100.0000	0	10,509
15		Contract Services - Management	10,800	0	100.0000	(10,800) S-2	0
16		Dues & Subscriptions	914	0	100.0000	0	914
17		Equipment Repair - Mains	10,933	0	100.0000	0	10,933
18		Equipment Repair - Fax Copier	150	0	100.0000	0	150
19		Equipment Repair - Meters	1,055	0	100.0000	0	1,055
20		Equipment Repair - Service	13,401	0	100.0000	0	13,401
21		Equipment Repair - Wells	6,926	0	100.0000	4,233 S-15	11,159
22		FICA	10,968	0	100.0000	(1,050) S-3	9,918
23		FUTA	449	0	100.0000	(101) S-4	348
24		Gasoline - Corporate	21	0	100.0000	0	21
25		Gasoline - OSWC	7,309	0	100.0000	0	7,309
26		Insurance Health & Dental	6,714	0	100.0000	5,802 S-5	12,516
27		Insurance General	6,908	0	100.0000	0	6,908
28		Insurance Other	1,468	0	100.0000	0	1,468
29		Insurance - Vehicle	4,158	0	100.0000	0	4,158
30		Insurance - Workmen's Comp	3,731	0	100.0000	0	3,731
31		Leased Equipment	10,291	0	100.0000	0	10,291
32		Maintenance Supplies	2,777	0	100.0000	0	2,777
33		Materials & Supplies	154	0	100.0000	0	154
34		Meals OSWC	29	0	100.0000	0	29
35		Miscellaneous	1,951	0	100.0000	1,000 S-16	2,951
36		SUTA	1,254	8	100.0000	(462) S-6	792

Accounting Schedule: 6-1

**SCHEDULE 2-15**

Attachment E-9

Accounting Schedule: 6

Imhoff

14:38 08/07/1998

## Ozark Shores Water Company

Case: NR-98-991

Test year ending 12/31/96

## Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
37		Office Supplies	4,943	0	100.0000	0	4,943
38		Office - Materials	102	0	100.0000	0	102
39		Outside Service	1,300	0	100.0000	0	1,300
40		Postage	5,218	0	100.0000	0	5,218
41		Power For Pumping - Well 1	5,218	0	100.0000	(646) S-7	4,572
42		Power For Pumping - Well 2	8,617	0	100.0000	0	8,617
43		Power For Pumping - Well 3	15,871	0	100.0000	0	15,871
44		Power For Pumping - Well 4	21,303	0	100.0000	0	21,303
45		Power For Pumping - Booster Station	3,499	0	100.0000	0	3,499
46		Power For Pumping - Storage Tank	515	0	100.0000	0	515
47		Power For Pumping - Pressure Tank	1,515	0	100.0000	0	1,515
48		Power Villa De La - Pole 17	3,362	0	100.0000	0	3,362
49		Power Columbia College Tower	1,623	0	100.0000	0	1,623
50		Rent Building	9,575	0	100.0000	(363) S-8	9,212
51		Rent Equipment	5,036	0	100.0000	(2,518) S-9	2,518
52		Retirement 401k	2,332	0	100.0000	72 S-10	2,404
53		Safety Equipment	627	0	100.0000	0	627
54		Salaries & Wages	99,839	0	100.0000	29,845 S-11	129,684
55		Telephone Expense	5,182	0	100.0000	0	5,182
56		Tools Expense	711	0	100.0000	0	711
57		Training & Licenses	223	0	100.0000	0	223
58		Travel Corporate	1,157	0	100.0000	0	1,157
59		Travel OSNC	733	0	100.0000	0	733
60		Uniforms & Clothing	282	0	100.0000	0	282
61		Utilities	2,100	0	100.0000	0	2,100
62		Utilities - O/S Facilities	104	0	100.0000	0	104
63		Vehicle Repairs & Maint - OSNC	3,200	0	100.0000	0	3,200
64		Vehicle Licenses	282	0	100.0000	0	282
65		Total	\$ 324,876	\$ 0		\$ 25,012	\$ 349,888
Depreciation Expense							
66		Depreciation Expense	\$ 48,410	\$ 0	100.0000	\$ 6,059 S-12	\$ 54,469
67		Depreciation Expense (CIAC)	(1,306)	0	100.0000	0	(1,306)
68		Amortization Expense	7,645	0	100.0000	0	7,645
69		Total	\$ 54,749	\$ 0		\$ 6,059	\$ 60,808

Accounting Schedule: 6-2

**SCHEDULE 2-16**  
Attachment E-10

Accounting Schedule: 6

Imhoff

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Other Operating Expenses							
70		Real Estate Taxes	\$ 6,834	\$ 0	100.0000	\$ 0	\$ 6,834
71		Other Taxes & Licenses	4,325	0	100.0000	0	4,325
72		Total	\$ 11,159	\$ 0		\$ 0	\$ 11,159
*****							
73		Total Operating Expenses	\$ 390,784	\$ 0		\$ 31,071	\$ 421,855
*****							
*****							
74		Net Income Before Taxes	\$ 143,385	\$ 0		\$ 13,054	\$ 156,439
*****							
Current Income Taxes							
75		Current Income Taxes	\$ 6,200	\$ 0	100.0000	\$ 7,459 S-13	\$ 13,659
76		Total	\$ 6,200	\$ 0		\$ 7,459	\$ 13,659
Deferred Income Taxes							
77		Deferred Income Taxes	\$ 0	\$ 0	100.0000	\$ 0 S-14	\$ 0
78		Total	\$ 0	\$ 0		\$ 0	\$ 0
*****							
79		Total Income Taxes	\$ 6,200	\$ 0		\$ 7,459	\$ 13,659
*****							
*****							
80		Net Operating Income	\$ 137,185	\$ 0		\$ 5,595	\$ 142,780
*****							

Accounting Schedule: 6-3

SCHEDULE 2-17

Attachment E-11

Accounting Schedule: 7

Imhoff

14:38 08/07/1998

## Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
Metered Water S-1		\$ 44,125
1. To annualize revenues to a current level of customers. (Imhoff)		\$ 44,125
Contract Services - Management S-2		\$ (10,800)
1. To decrease expense to reflect the disallowance of management fees paid by the Company. (Imhoff)		\$ (10,800)
FICA S-3		\$ (1,050)
1. To annualize FICA Taxes. (Boltz)		\$ (1,050)
FUTA S-4		\$ (101)
1. To annualize FUTA taxes. (Boltz)		\$ (101)
Insurance Health & Dental S-5		\$ 5,802
1. To annualize health and dental insurance. (Boltz)		\$ 5,802

Accounting Schedule: 7-1

**SCHEDULE 2-18**

Attachment E-12

Accounting Schedule: 7

Imhoff

14:38 08/07/1998

## Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
*****		
SUTA S-6		\$ (462)
*****		
1. To annualize SUTA taxes. (Boltz)		\$ (462)
*****		
Power For Pumping - Well 1 S-7		\$ (646)
*****		
1. To annualize purchased power for pumping expense to reflect customer growth and average usages per customer. (Imhoff)		\$ (646)
*****		
Rent Building S-8		\$ (363)
*****		
1. To annualize rent expense to a current level. (Imhoff)		\$ 661
2. To decrease rent expense to reflect the usage of the building for other companies. (Imhoff)		\$ (1,024)
*****		
Rent Equipment S-9		\$ (2,518)
*****		
1. To reduce rent expense-equipment for expenses that should have been capitalized. (Boltz)		\$ (2,518)
*****		
Retirement 401k S-10		\$ 72
*****		
1. To annualize 401k matching. (Boltz)		\$ 72

Accounting Schedule: 7-2

SCHEDULE 2-19

Attachment E-13



Accounting Schedule: 7

Imhoff

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
*****		
Salaries & Wages S-11		\$ 29,845
*****		
1. To annualize payroll. (Boltz)		\$ 29,845
*****		
Depreciation Expense S-12		\$ 6,059
*****		
1. To annualize depreciation expense at a current level of plant. (Boltz)		\$ 6,059
*****		
Current Income Taxes S-13		\$ 7,459
*****		
1. To annualize current income tax expense as computed by Staff. (Imhoff)		\$ 7,459
*****		
Deferred Income Taxes S-14		
*****		
1. To annualize deferred income taxes to a level as computed by Staff. (Imhoff)		
*****		
Equipment Repair - Wells S-15		\$ 4,233
*****		
1. To adjust expense to reflect the amortization of a pump repair. (Boltz)		\$ 4,233

Accounting Schedule: 7-3

**SCHEDULE 2-20**

Attachment E-14

Accounting Schedule: 7

Imhoff

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
*****		
Miscellaneous S-16		\$ 1,000
*****		
1. To increase expense to reflect rate case expenses incurred for public notices, etc. (Meyer)		\$ 1,000

Accounting Schedule: 7-4

**SCHEDULE 2-21**

Attachment E-15

## Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Income Tax

Line	Test Year	10.04% Return
------	--------------	------------------

(A)

(B)

1	Net Income Before Taxes (Sch 6)	\$ 156,439	\$ 231,722
---	---------------------------------	------------	------------

## Add to Net Income Before Taxes

2	Book Depreciation Expense	\$ 60,808	\$ 60,808
3	Total	\$ 60,808	\$ 60,808

## Subtr from Net Income Before Taxes

4	Interest Expense 4.9300 %	\$ 93,126	\$ 93,126
5	Depreciation Expense	60,481	60,481
6	Excess Tax Depreciation	0	0
7	Total	\$ 153,607	\$ 153,607

8	Net Taxable Income	\$ 63,640	\$ 138,923
---	--------------------	-----------	------------

## Provision for Federal Income Tax

9	Net-Taxable-Income	\$ 63,640	\$ 138,923
10	Deduct Missouri Income Tax 100.0 %	\$ 3,665	\$ 7,606
11	Deduct City Income Tax	0	0
12	Federal Taxable Income	59,975	131,317
13	Total Federal Tax	\$ 9,994	\$ 34,464

## Provision for Missouri Income Tax

14	Net Taxable Income	\$ 63,640	\$ 138,923
15	Deduct Federal Income Tax 50.0 %	\$ 4,997	\$ 17,232
16	Deduct City Income Tax	0	0
17	Missouri Taxable Income	58,643	121,691
18	Total Missouri Tax	\$ 3,665	\$ 7,606

Accounting Schedule: 8

Imhoff

14:38 08/07/1998

Ozark Shores Water Company

Case: WR-98-991

Test year ending 12/31/96

## Income Tax

Line		Test Year	10.04% Return
(A)		(B)	
	Provision for City Income Tax		
19	Net Taxable Income	\$ 63,640	\$ 138,923
20	Deduct Federal Income Tax	\$ 9,994	\$ 34,464
21	Deduct Missouri Income Tax	3,665	7,606
22	City Taxable Income	49,981	96,853
23	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
24	Federal Income Tax	\$ 9,994	\$ 34,464
25	Missouri Income Tax	3,665	7,606
26	City Income Tax	0	0
27	Total	\$ 13,659	\$ 42,070
	Deferred Income Taxes		
28	Deferred Investment Tax Credit	\$ 0	\$ 0
29	Deferred Repair Allowance	0	0
30	Deferred Tax Depreciation	0	0
31	Amort of Deferred Tax Depreciation	0	0
32	Amort of Repair Allowance	0	0
33	Amort of Deferred ITC	0	0
34	Deferred Unbilled	0	0
35	Total	\$ 0	\$ 0
36	Total Income Tax	\$ 13,659	\$ 42,070

Accounting Schedule: 8-2

**SCHEDULE 2-23**

Attachment E-17



# OZARK SHORES WATER CO.

P.O. Box 8, 806 Bittersweet  
Lake Ozark, MO 65049

314/385-8782 ■ FAX: 314/385-8793

December 21, 1994

Dear Lot Owner:


This letter is to notify you that the 1995 availability fee for water availability to Four Seasons' lot owners has increased from \$4.00 to \$5.00 per month. This fee has not increased since the inception of the water company in 1973 and like all businesses, our costs have continued to increase with time.

The additional revenue generated from the fee increase will enable us to continue to provide a sound water supply available to Four Seasons' lot owners as in the past.

Your annual bill will be mailed within the next two weeks. If you have any questions, please contact our office at 314-365-6792.

Sincerely,

OZARK SHORES WATER COMPANY



Vernon L. Stump  
Vice-President

VLS/sc

SCHEDULE 3

# **READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING**

This Report is prepared and issued by the developer of this subdivision. It is NOT prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.

If you received this Report prior to signing a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two years from the date of signing.

NAME OF SUBDIVISION:	THE COMMUNITIES OF FOUR SEASONS AT SHAWNEE BEND
NAME OF DEVELOPER:	FOUR SEASONS LAKESITES, INC.
DATE OF THIS REPORT:	February 15, 2005

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NOTE: In this Property Report, the words "you" and "your" refer to the buyer. The words "we", "us" and "our" refer to the Developer.



### RISKS OF BUYING LAND

The future value of any land is uncertain and dependent upon many factors. DO NOT expect all land to increase in value.

Any value which your lot may have will be affected if the roads, utilities and all proposed improvements are not completed.

Resale of your lot may be difficult or impossible, since you may face the competition of our own sales program and local real estate brokers may not be interested in listing your lot.

Any subdivision will have an impact on the surrounding environment. Whether or not the impact is adverse, and the degree of impact, will depend upon the location, size, planning and extent of development. Subdivisions which adversely affect the environment may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality and noise levels may affect your use and enjoyment of your lot and your ability to sell it.

In the purchase of real estate, many technical requirements must be met to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

#### **--WARNING--**

**THROUGHOUT THIS PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE SUBDIVISION OR INDIVIDUAL LOTS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.**