

STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

At a hearing of the Public Service
Commission, held at Jefferson City,
Missouri, on the 30th day of
November, 1973.

In the Matter of the Application
of Four Seasons Lake Sites Water & Sewer Co.,
for a Certificate of Public Convenience
and Necessity to Construct, Operate and
Maintain an Intra-State Water System.

CASE NO.
17,954.

BEFORE:

H. BURKS DAVIS, Presiding,

Hearing Examiner.

REPORTED BY:

Judi K. Johnston

Co, Exhibit No. 14
Date 6-24-10 Reporter RF
File No. SIC-2010-00110
WR-2010-011

Missouri Public Service Commission

APPEARANCES:

ERROL D. TAYLOR, Attorney at Law,
Utz, Litvak, Thackery, Utz & Taylor,
1208 Corby Building,
St. Joseph, Missouri 64501

814-233-0257

FOR: APPLICANT
FOUR SEASONS LAKE SITES WATER & SEWER
COMPANY.

PAUL W. PHILLIPS, Assistant General Counsel,
Missouri Public Service Commission,
Jefferson State Office Building,
Jefferson City, Missouri

FOR: THE STAFF OF THE COMMISSION AND
THE PUBLIC OF MISSOURI.

Missouri Public Service Commission

1 BE IT REMEMBERED, at a hearing of the Public
2 Service Commission, held at the time and place mentioned in
3 the title page hereof, the following proceedings were had:

4 (Written Entries of Appearance Filed.)

5 EXAMINER DAVIS: Case No. 17,954, in the
6 matter of the application of Four Seasons Lake Sites Water
7 & Sewer Company for a certificate of public convenience
8 and necessity to construct, operate and maintain an
9 intrastate water system.

10 If you have not made your written entries
11 of appearance, please do so, and at this time you may
12 make your oral entry of appearance for the benefit of
13 the record.

14 MR. TAYLOR: Utz, Litvak, Thackery, Utz &
15 Taylor, by Errol D. Taylor, 1208 Corby Building,
16 St. Joseph, Missouri, 64501, appearing on behalf of the
17 Applicant, Four Seasons Lake Sites Water & Sewer Company.

18 MR. PHILLIPS: Paul W. Phillips, Assistant
19 General Counsel, appearing in behalf of the Staff of the
20 Commission and the public of the State.

21 EXAMINER DAVIS: Are there any opening
22 statements or preliminary matters?

23 MR. TAYLOR: Your Honor, at this point,
24 I would like to amend certain portions of the application
25 by interlineation which deals with the description of

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1 the proposed certificated area which is found in page 2
2 of the application and also on page 2 of the engineering
3 report, feasibility study, filed with the application.

4 And I would move to--

5 EXAMINER DAVIS: Depending on what it is,
6 I think, I am going to require it to be in writing.

7 MR. TAYLOR: Okay. I would move that the
8 application be amended, so that with reference to the
9 sections, it would read, "sections 16, 17, 20, 21, 27,
10 28 and 29."

11 EXAMINER DAVIS: In other words, add one
12 more section.

13 MR. TAYLOR: Add one more section, Section
14 29. And, then, the other amendment would be the first
15 line of the inserted portion, beginning with
16 lots 1 through 223, inclusive. So that it would read, this
17 line would read, "Lot's 1 through 223 inclusive, lot's
18 258 through 468 inclusive, except lot's 365, 366 and 367."

19 Now, I'm making my motion to amend for
20 the reason that after we looked at these plat maps
21 a little closer, there's about a 50-foot strip of section
22 29 that comes up at one point, so we would have to put that
23 in, and then these three lots are not included in the area
24 that we want to ask for certification at this point.

25 EXAMINER DAVIS: Is there any objection
to that amendment?

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1 MR. PHILLIPS: No, Your Honor.

2 EXAMINER DAVIS: Very well. That
3 amendment will be allowed. Is there anything else?

4 MR. TAYLOR: That's all, Your Honor.

5 EXAMINER DAVIS: All those persons knowing
6 themselves to be witnesses, please stand and raise
7 your right hand to be sworn.

8 (Witnesses sworn.)

9
10 EXAMINER DAVIS: You may call your first
11 witness.

12 MR. TAYLOR: I call Mr. Joe McCabe. Joe,
13 would you take the witness chair right up there?

14 APPLICANT'S EVIDENCE

15 J O S E P H J. M C C A B E, called as a witness
16 in behalf of the APPLICANT, being duly
17 sworn, testified as follows:

18 DIRECT EXAMINATION BY MR. TAYLOR:

19 Q. Would you state your name, sir?

20 A. Joseph J. McCabe.

21 Q. What is your home address?

22 A. 11540 Bellfountain Road.

23 Q. What is your business address?

24 A. 212 North King's Highway.

25 EXAMINER DAVIS: You better give the city.

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WITNESS McCABE: St. Louis.

MR. TAYLOR: St. Louis, Missouri.

WITNESS McCABE: 63108.

BY MR. TAYLOR:

Q What is your business or occupation, Mr. McCabe?

A I'm the treasurer of the Chase Hotel, Inc.

Q Are you also an officer of the Four Seasons Lake Sites Water & Sewer Company?

A Yes, sir.

Q What is your official capacity with the Applicant company?

A Treasurer.

Q As treasurer of this company, basically, what are, just generally, your duties and responsibilities?

A I'm responsible for finance and the accounting records.

Q So in the vernacular we would consider you the money man as far as the financial situations concerning this company.

A Yes, sir.

Q How long have you been associated with Four Seasons Lake Sites Water Company?

A Since its inception.

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1 Q When was this company formed?

2 A '73.

3 EXAMINER DAVIS: Is this a corporation?

4 MR. TAYLOR: Yes.

5 BY MR. TAYLOR:

6 Q This is a corporation, is it not?

7 A Yes.

8 MR. TAYLOR: Your Honor, I would ask that
9 the Commission take note of the Exhibit A that was
10 attached and filed with the application which is a copy of
11 the Articles of Incorporation of Four Seasons Lake
12 Site Water & Sewer Company and also an amendment to
13 those articles as well as a copy of incorporation.

14 EXAMINER DAVIS: Very well.

15 BY MR. TAYLOR:

16 Q Mr. McCabe, you have with you here today
17 the original Certificate of Incorporation and the
18 amendment to the Articles of Incorporation; is that
19 correct?

20 A Yes, sir.

21 Q And these are the official documents of
22 the corporation as maintained in the records of the
23 corporation?

24 A Yes, sir.

25 Q Now, would you compare the official certificate

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1 of incorporation issued by the Secretary of State with
2 the copy as attached to the application, and state whether
3 or not the one attached to the application is a true and
4 correct copy?

5 A. Yes, sir.

6 Q. Now, then, would you tell us who the
7 principal officers of the Four Seasons Lake Site Water
8 & Sewer Company are?

9 A. The president is Harold Koplar, K-o-p-l-a-r,
10 (spelling) vice president Robert B. Koplar, treasurer
11 myself, Joseph J. McCabe.

12 Q. Is there a secretary?

13 A. Secretary-treasurer.

14 Q. You are secretary?

15 A. My position, yes.

16 Q. Now, then, Mr. McCabe, is the Applicant
17 corporation in good standing at this present time with
18 the State of Missouri insofar as its corporate status?

19 A. Yes.

20 MR. TAYLOR: Would you mark this as
21 Exhibit 1 please?

22 EXAMINER DAVIS: Be marked Exhibit No. 1
23 for identification.

24 (AT THIS TIME APPLICANT'S EXHIBIT NO. 1 WAS
25 MARKED BY THE REPORTER FOR THE PURPOSE OF IDENTIFICATION.)

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1 BY MR. TAYLOR:

2 Q Mr. McCabe, I will hand you what has been
3 marked for identification as Applicant's Exhibit No. 1,
4 and will you identify that document please and tell us
5 what it is?

6 A It's the recorded balance sheet of Four
7 Seasons Lake Sites Water & Sewer Company as of October 31,
8 1973.

9 Q Was this exhibit prepared by you?

10 A Yes, sir.

11 Q Are the figures as shown on this particular
12 exhibit taken from the books and records of the Applicant
13 corporation?

14 A Yes, sir.

15 Q The exhibit speaks for itself, I realize,
16 but it points out that the corporation presently has
17 \$237,441 in assets; is that correct?

18 A Yes, sir.

19 Q What is the present proprietary capital
20 issued in this corporation?

21 A \$150,000.

22 Q This money has been paid into the corporation
23 in stock issue; is that correct?

24 A Yes, sir.

25 Q Who owns the stock of Four Seasons Lake
Sites?

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1 A. It's a hundred percent owned by Chase
2 Hotel, Inc.

3 Q. A hundred percent by Chase Hotel, Inc.
4 Is that right?

5 A. Yes.

6 Q. And, then, the debt is reflected on there,
7 long term capital debt. Who is that debt owed to?

8 A. Part of it to Chase Hotel, Inc. The
9 balance is to Four Seasons Lake Sites for the purchase
10 of land.

11 MR. TAYLOR: I offer Applicant's Exhibit No. 1.

12 EXAMINER DAVIS: Is there any objection?

13 MR. PHILLIPS: I would ask that you
14 defer ruling on that until after cross-examination.

15 EXAMINER DAVIS: I'll defer ruling until
16 after cross-examination.

17 BY MR. TAYLOR:

18 Q. Mr. McCabe, in your capacity as treasurer
19 of the Applicant corporation here and your familiarity
20 with the books and records and the financial transactions
21 of this corporation, do you have an opinion as to the
22 financial condition or the financial soundness of the
23 Applicant corporation?

24 A. I would say it is a sound corporation.

25 MR. TAYLOR: Thank you. That's all I have
of Mr. McCabe.

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1 CROSS-EXAMINATION BY MR. PHILLIPS:

2 Q Mr. McCabe, how long have you been treasurer
3 of the Applicant?

4 A Of the Applicant, since its inception,
5 August 10, 1971.

6 Q And you own no stock in the Applicant.

7 A No, sir.

8 EXAMINER DAVIS: When you first answered
9 that question, I thought you said '73.

10 WITNESS McCABE: I did. I thought it
11 was incorporated in '73, but after looking at the paper,
12 sir, I found it was '71.

13 BY MR. PHILLIPS:

14 Q Did you prepare Exhibit No. 1?

15 A Yes, sir.

16 Q Okay. What is the par value of the stock
17 that appears on Exhibit No. 1?

18 A As I recall, it was a hundred--No, one
19 dollar.

20 Q How many shares have been issued?

21 A 150,000.

22 Q So, that's where you got the \$150,000.

23 A Yes.

24 Q Is Chase Hotel, Inc., is that the Chase
25 Park Plaza?

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1 A Yes, sir. Doing business as Chase Hotel,
2 Inc.

3 MR. PHILLIPS: That's all I have.

4 I have no objections to Exhibit No. 1.

5 EXAMINER DAVIS: Very well. Applicant's
6 Exhibit No. 1 is received in evidence.

7 (AT THIS TIME APPLICANT'S EXHIBIT NO. 1 WAS
8 RECEIVED IN EVIDENCE AND MADE A PART OF THIS RECORD.)

9 EXAMINER DAVIS: You just said another
10 statement that I don't understand. Is it Chase Hotel,
11 Inc. doing business as Chase Park Plaza, or is it Chase
12 Park Plaza doing business as Chase Hotel, Inc.?

13 WITNESS McCABE: No, sir. It's Chase
14 Park Plaza is the trade name.

15 MR. TAYLOR: Mr. McCabe, the Chase Hotel,
16 Inc. wholly owns the Applicant corporation. Chase Hotel,
17 Inc. also wholly owns the Lodge of the Four Seasons which is
18 located within our proposed certificated area; is that
19 correct?

20 WITNESS McCABE: That's correct.

21 MR. TAYLOR: Thank you. That's all.

22 EXAMINER DAVIS: The witness may be excused.

23 (Witness excused.)

24
25 MR. TAYLOR: I call Mr. Jim French.

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1 MR. TAYLOR: Could you mark this as
2 Applicant's Exhibit No. 2 for identification?

3 EXAMINER DAVIS: Be marked Exhibit No. 2
4 for identification.

5 (AT THIS TIME APPLICANT'S EXHIBIT NO. 2 WAS
6 MARKED BY THE REPORTER FOR THE PURPOSE OF IDENTIFICATION.)

7 J A M E S W. F R E N C H, called as a witness

8 in behalf of the APPLICANT, being duly

9 sworn, testified as follows:

10 DIRECT EXAMINATION BY MR. TAYLOR:

11 Q Would you state your name, sir?

12 A James W. French.

13 Q What is your home address, Mr. French?

14 A Post office Box 561, Wimberly, Texas, 78676.

15 Q What is your business address?

16 A Wimberley, Texas, 78676.

17 Q By whom are you employed at this time?

18 A I am employed by Southern Living and
19 Leisure Company, a Texas corporation.

20 Q What is your profession, Mr. French?

21 A I am a registered, professional engineer
22 in a number of states including Missouri.

23 Q Prior to being employed by Southern Living
24 and Leisure in the State of Texas, were you employed by
25 the Applicant company herein?

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1 A. Yes, I was.

2 Q And, also, were you employed by some other
3 companies in the area of the certificated application?

4 A Prior to being employed by the Applicant
5 company, I was employed by L. Robert Kimball Consulting
6 Engineers which did some of the preliminary work on this
7 project.

8 Q Now, then, just for clarification, the
9 Applicant company is the water company. Now, you were
10 employed by a developer, a land development company, in
11 Lake Ozark, Missouri; is that correct?

12 A That's correct.

13 Q What is the name of that company?

14 A Four Seasons Lake Sites, Inc.

15 Q How long were you employed by Four Seasons
16 Lake Sites, Inc.?

17 A From July of 1970 till October of 1973.

18 Q In that employment, what was your position?

19 A I was responsible for the in-house engineering
20 department, master planning and in-house construction.

21 Q Now, in that capacity, and responsible
22 for the planning and in-house construction, what were you
23 planning and what were you constructing?

24 A We were planning and constructing a resort
25 recreational community located on Horseshoe Bend in Camden

1 County, Lake of the Ozarks.

2 Q How much land are you talking about in this
3 total recreational resort community?

4 A In the total community we're talking about
5 approximately 3,500 acres on Horseshoe Bend.

6 Q Who presently owns that 3,500 acres?

7 A Four Seasons Lake Sites, Inc.

8 Q This is a privately planned development
9 or resort development; is that correct?

10 A That's correct.

11 Q Could you just generally describe the
12 nature of the development as it exists today, the physical
13 characteristics. What has been put in there so far?

14 A Okay. There are approximately 2,600
15 individual lots of record in various stages of development,
16 with the road right-of-ways cleared, an 18 hole champion-
17 ship golf course has been completed through seeding and
18 should be playable in the spring. There is a swimming
19 pool, tennis court that has been constructed, picnic and
20 common areas and ancillary facilities like that.

21 Q Now, then, Mr. French, for reference, as
22 to the location of this area on Horseshoe Bend, is the
23 Lodge of the Four Seasons located within this total
24 recreational area you're talking about?

25 A Yes, it is.

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1 Q The Lodge of the Four Seasons is also
2 owned by, as testified by Mr. McCabe, the Chase Hotel,
3 Inc. Is that correct?

4 A I believe that's right.

5 Q Do you know who owns the Four Seasons
6 Lake Sites, Inc.?

7 A The same corporate family. In terms of the
8 exact corporate name I'm not sure I could tell you.

9 Q But it would still be affiliated or
10 associated--

11 A Right, an associated company.

12 Q Now, then, you stated in your capacity as
13 project manager of Four Seasons Lake Sites you were also
14 employed by the Applicant company which is Four Seasons
15 Lake Sites Water & Sewer Company.

16 A That is correct.

17 Q Could you tell us what work you performed
18 on behalf of the water and sewer company?

19 A We did the--prepared this engineering report
20 and economic analysis for the water company. We prepared
21 the detailed plans and specifications for the construction
22 of the source of supply, the well, the storage facilities,
23 the distribution lines and submitted those to the health
24 department to obtain approval. We supervised construction
25 of the system.

1 Q Now, then, Mr. French, I hand you what
2 has been marked for identification as Applicant's Exhibit
3 No. 2, which is entitled, "ENGINEERING REPORT WATER SUPPLY
4 AND DISTRIBUTION SYSTEM LAND OF THE FIFTH SEASON, LAKE
5 OF THE OZARKS CAMDEN COUNTY, MISSOURI." I'll ask you
6 if this engineering report was prepared by you?

7 A Yes.

8 Q Now, then, this engineering report is also
9 a feasibility study as to the feasibility of a water
10 company; is that not correct?

11 A That's correct.

12 Q And this report has been filed with the
13 application; isn't that correct?

14 A Yes.

15 Q Now, then, Mr. French, could you tell us,
16 basically, and I know it's contained in your Exhibit No.
17 2 as marked for identification, but could you tell the
18 Commission generally what facilities have been purchased
19 and put into place at the present time with reference
20 to the Applicant company as it relates to water service?

21 A Okay. The supply well has been drilled
22 and cased and pressure grouted. The pump, capable
23 of pumping approximately 240 gallons a minute, a total
24 dynamic head of 405 feet has been installed. An 85,000
25 gallon standpipe reservoir has been installed, and the

1 the main transmission line from the supply reservoir to
2 the Lodge of the Four Seasons has been installed, and
3 distribution lines are substantially complete to approxi-
4 mately 700 lots in the proposed certificated area.

5 Q Now, then, Mr. French, with reference to
6 the proposed certificated area, I would like to direct
7 your attention to Exhibit 1A and Exhibit 1B, which is
8 attached to the engineering report and which has been
9 marked for identification as Applicant's Exhibit 1. I'll
10 ask you with reference to those maps as contained in the
11 engineering report, do they accurately reflect the proposed
12 areas of water certification, the subject of this hearing?

13 A Yes, they do.

14 Q Now, then, looking first at the map that
15 has been marked, attached to the exhibit, and marked
16 1A, could you explain that particular map for the
17 Commission please?

18 A Yes, sir. That map is a composite of the
19 record plats that are involved in the proposed certificated
20 area, and the lots included in the area that we are asking
21 for certification are defined by being enclosed in the
22 red colored line.

23 Q Now, then, the proposed area for certification
24 includes a certain number of lots in a certain defined,
25 platted area; is that correct?

1 A. That is correct.

2 Q And we are not asking for the entire area
3 as presently platted and recorded in Camden County at
4 this point; is that correct?

5 A. That is correct.

6 Q Now, what are the specific platted areas
7 that are included in this current application?

8 A We are involved with parts of Kays Point
9 No. 1, Kays Point No. 2 and Kays Point No. 7.

10 MR. TAYLOR: May I have these marked?

11 EXAMINER DAVIS: Be marked Exhibit Nos.
12 3, 4 and 5 for identification.

13 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 3-5 WERE
14 MARKED BY THE REPORTER FOR THE PURPOSE OF IDENTIFICATION.)
15 BY MR. TAYLOR:

16 Q Now, Mr. French, I would like to hand you
17 what has been marked for identification Applicant's Exhibit
18 No. 3, and I'll ask you if that is not a set of plat maps
19 concerning Kays Point No. 1 as platted in the development
20 area?

21 A. Yes, sir. It is.

22 Q That set of maps is a larger, pictorial
23 representation of a portion of the Exhibit 1B attached
24 to your engineering report; is that correct?

25 A. They are and they are the copies of the

1 official recorded plat map that's recorded in the
2 Camden County Courthouse.

3 Q I'll hand you what's been marked for
4 identification Applicant's Exhibit No. 4, and I'll ask
5 you if that is not a copy of the plat maps of Kays Point
6 No. 2?

7 A Yes.

8 Q And is that included in the area proposed
9 to be certificated here today?

10 A Yes, sir.

11 Q And it's also reflected on your smaller
12 map, overall map, as shown in the engineering report;
13 right?

14 A Yes.

15 Q I'll hand you what's been marked for
16 identification as Applicant's Exhibit No. 5, and ask
17 you if that's not a copy of the plat maps of Kays Point
18 No. 7?

19 A That's correct.

20 Q And, also, Kays Point No. 7 is included in
21 the area we're proposing for certification here today.

22 A That's correct.

23 Q Now, then, prior to marking these exhibits
24 for identification, did you go through these exhibits and
25 outline in red or delete certain lots that are not included
in the application here today?

1 MR. TAYLOR: Your Honor, I would offer
2 Exhibits 3, 4 and 5 at this point.

3 EXAMINER DAVIS: Do you want to wait
4 until after cross-examination?

5 MR. PHILLIPS: No.

6 EXAMINER DAVIS: Applicant's Exhibits 3,
7 4 and 5 are received in evidence.

8 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 3-5
9 WERE RECEIVED IN EVIDENCE AND MADE A PART OF THIS RECORD.)
10 BY MR. TAYLOR:

11 Q Now, then, with reference to the area
12 proposed for certification here today, Mr. French, and
13 as shown legally described in our application, how many
14 lots are we talking about?

15 A Approximately, 700 lots.

16 Q And these 700 lots, what is their stage
17 of development with reference to the entire subdivision?

18 A They have the road right-of-ways cleared,
19 graded, stone or gravel surfaced, and the lots generally
20 are cleared of brush. They're surveyed and staked.

21 Q Then, with reference to the water company's,
22 the Applicant company's property, it is already in place
23 in this area; is that correct?

24 A That's correct. It's--The distribution
25 system in there is substantially completed at this point.

1 Q Now, then, for clarification can you
2 tell the Commission why we are only asking to certificate
3 this particular point at this time as opposed to the
4 entire area of the development?

5 A Okay. We, as people in our industry are
6 required to do, have a federal property report which is
7 filed with the office of Inter-state Land Sales Registra-
8 tion and the Department of Housing and Urban Development.
9 A copy of that property report is supplied to each of
10 our customers or prospective customers, and in that it
11 outlines, among other things, the times at which utilities
12 will be available to that customer. We have a time
13 schedule in that report for the completion, among the
14 other utilities, the water utility. So, that we have
15 an obligation by a certain date as far as our relationship
16 with our customer and the federal government is concerned as
17 to the date that those utilities will be available. It's
18 our intention to provide those services and certificate
19 areas in accordance with that schedule of development.

20 Q So, then, it's the company's intention
21 to, if we receive initial certification, then amend
22 in stages consistent with the time table of construction
23 as you initially master planned it and filed it with HUD?

24 A That's correct.

25 Q Now, then, you have testified that the

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1 physical properties are presently in place in the area
2 we're proposing to certificate at this time. That also
3 includes the transmission line down to the Lodge of the
4 Four Seasons; is that correct?

5 A. That's correct.

6 Q. Now, then, in our application we have asked
7 for the right-of-way of Route HH and a ten-foot strip on
8 the north side of Route HH extending in an easterly dir-
9 ection as shown on the second map down to the Lodge of
10 the Four Seasons; is that correct?

11 A. That's correct.

12 Q. Now, then, have you determined what the
13 actual distance is in feet from the most southern, south-
14 eastern point, of the subdivision or plotted area that we're
15 asking certification for, in an easterly direction up
16 Route HH to the point where it ends at the Four Seasons
17 Lodge?

18 A. Yes, I have.

19 Q. Now, then, I would ask you to identify the
20 point, and I would ask you to refer to the map attached
21 to your report and marked 1B, and identify a point in
22 the southeast corner of the plotted area for reference
23 and then give us the distance easterly to the Lodge?

24 A. From the southeasterly point of the platted
25 lots to the Lodge of the Four Seasons would be approximately
6,600 feet.

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1 Q 6,600 feet. This goes through two
2 sections there in Camden County, Section 28 and 27,
3 isn't that correct?

4 A That's correct.

5 Q Now, if you would refer to the eastern section
6 line of 28, which would also be the western section line
7 of 27,--

8 A Uh-huh.

9 Q --do you have that broken down in your
10 distance along Route HH from the southeastern point to
11 that section line?

12 A From the southeastern point to the easterly
13 line of Section 28 would be approximately 3,930 feet,
14 and then from the easterly line of Section 28 to the
15 terminus in front of the Lodge is approximately 2,780
16 feet.

17 Q And those two combined comes up to roughly
18 6,000 feet; is that correct?

19 A 66-6,700 feet, yes.

20 Q Now, then, with reference to this strip
21 along Route HH, the right-of-way of Route HH, and the
22 north ten-foot strip, would you explain to the Commission
23 why we have asked for that particular area, the reason
24 for that strip to--

25 A With reference to the strip, the ten-foot

1 strip, adjoining the right-of-way on the north. We
2 have an area that we will need to serve at sometime
3 in the future. The development plans are not complete
4 as to the nature or the use or the extent of it, but
5 in order to go down the north side of the pavement of
6 Route HH, we have to avoid a buried telephone cable
7 which is in the right-of-way, close to the right-of-way
8 line, the northern right-of-way line of HH. From a
9 construction standpoint it would be difficulty to locate
10 the transmission line, the water transmission line,
11 within the right-of-way of Route HH. So, we will
12 provide a ten-foot easement immediately adjacent to
13 the north right-of-way line of HH.

14 Q Now, that property that is located to the north
15 if I understand correctly is not presently plotted.

16 A That's correct.

17 Q It's undeveloped and unplotted land. But
18 who owns that land right now?

19 A That is owned by Four Seasons Lake Sites,
20 Inc.

21 Q Along the entire area of the ten-foot
22 strip which we're talking about.

23 A That's correct.

24 Q Now, then, the company has a main in
25 the right-of-way of HH at this time, does it not?

1 A. That's correct. That's on the south
2 side of the pavement of HH adjacent to the southerly
3 right-of-way of HH.

4 Q. That main extends on down to the Lodge
5 of the Four Seasons.

6 A. That is correct.

7 Q. Would it be feasible to serve people on
8 the north from the main on the south side of HH?

9 A. Not with service connections, because of
10 the requirement for crossing under a state highway and
11 the difficulty of closing a state highway to make open
12 cut connections and that for just a service line.

13 Q. So, then, future service, if there is
14 going to be any, to the property on the north would be
15 taken from a parallel main on the north side of that
16 highway.

17 A. That's correct. We would also use that
18 main as a--for a safety factor for large supply customers,
19 like the Lodge on the south side.

20 Q. Now, then, Mr. French, the application here
21 as you stated, referred primarily at this time to 700
22 lots. Now, you have done a feasibility study which is
23 part of your engineering report; is that correct?

24 A. That's correct.

25 Q. Now, what is the size of the lots in the

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1 development that you've used, you know, the total
2 number that you used in your study as presented to
3 this Commission?

4 A. I have projected it out to the sixth year
5 of the life of the water company, and at that stage
6 we would have approximately 3,450 parcels that would have
7 been sold and service provided for.

8 Q. So, your study with reference to your total
9 plans as far as serving down there, as opposed to
10 bringing out a singular application to those initial
11 700 lots--

12 A. That's correct.

13 Q. And you're talking about the total feasibility
14 of the entire company once the whole shooting mess is
15 put together; is that right?

16 A. That's correct. Actually, to take this
17 through complete construction of the system as we anticipate
18 it now would run out around nine or ten years with a total
19 of 5,100 lots. I have carried it out through five
20 years so that we get a reasonable picture of what's
21 going to happen a few years down the road.

22 Q. Now, then, what is your anticipation or
23 your opinion, based on your experience and study as to what
24 the potential growth of not only lot sales but actual
25 housing development in this particular area?

1 A. My best estimate of the rate of development
2 as concerns the building of houses would be two percent
3 of the number of properties that are serviced with
4 utilities would be built on each year.

5 Q. Serviced with utilities would be built
6 each year?

7 A. Yes.

8 Q. Where did you come up with that two
9 percent figure? How did you arrive at that?

10 A. Well, there's a number of variables
11 which probably defy accurate prediction of this, but my
12 approach was this: I took the last three subdivision
13 developments that have been done on Horseshoe Bend in
14 the immediate area, and got the date of the record plat
15 and the date that electrical services were made available,
16 and counted the number of houses that had been built with
17 the number of years of availability of utilities and
18 the number of houses. I found on a small scale that
19 the rate of building was about five percent a year.
20 However, there's--You have to analyze that in terms of--
21 We're actually comparing apples and oranges. The
22 actual experience is based on a very small development
23 and in a lower price range than our development is
24 concerned. So, in my judgment in trying to be a little
25 conservative about this, my judgment is that the rate of
growth will be about two percent.

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1 Q Now, then, your feasibility presentation
2 as to the feasibility or the economic ability of this
3 particular company is based on that two percent growth
4 which you feel is a conservative figure.

5 A That is true.

6 Q Now, then, Exhibit No. 2 which was prepared
7 by your in your engineering study, you have set out your
8 basic design, source of supply distribution system, et
9 cetera, have you not?

10 A That's correct.

11 Q And do you have any particular changes
12 as that document is prepared? Is there anything you
13 would like to change or clarify with reference to the
14 actual system?

15 A Your talking about the source of supply,
16 the distribution system and that. No, I think, that's
17 substantially complete.

18 Q And it pretty well speaks for itself as
19 it is set out in there.

20 A Yes.

21 Q Now, then, I would like to direct your
22 attention to page 12 of Exhibit No. 2 which is table 1,
23 and table 1 is your recommended rate schedule for the
24 water company; is that correct?

25 A That's correct.

1 Q And you've used this recommendation in the
2 rest of your studies to come up with your feasibility--

3 A That's correct.

4 Q I refer you to table 2 and tell us just
5 generally what that table is, what it represents?

6 A That table 2 represents the estimated ini-
7 tial utility plant investment for source of supply,
8 pumping, storage and distribution systems, engineering,
9 interest during construction, contingencies, organizational
10 cost, land and right-of-way.

11 Q Now, I know it's titled, "Estimated Initial
12 Utility Plant Investment," but isn't it a fact that
13 that plant investment is already there?

14 A That's correct.

15 Q And it has been purchased by the Applicant
16 company and paid for by the Applicant company.

17 A That is correct.

18 Q Referring to table 3, would you just tell
19 us generally what that table is and what it represents?

20 A Table 3 is an extension of table 2,
21 estimating the investment in utility plant in years 1
22 through 6 of the life of the company. We, as I mentioned
23 earlier, expect that the system will be a growing system
24 with significant additions to distribution system for
25 possibly nine to ten years. So, for purposes of illustration

1 I have shown the system growing through the first five
2 years, and then artificially shown the sixth year as
3 the year of operation without significant expansion
4 of the distribution system, so that we can get a picture
5 of what happens once the growth stops, and it settles
6 down to normal operation.

7 Q And this is your anticipated growth in
8 plant investment based upon: No. 1, what the company is
9 planning on putting in there, and No. 2, on the proposed
10 or your estimates as to growth and building of residences.

11 A That is correct.

12 Q Now, referring to table 4, would you tell
13 us generally what that table is?

14 A Table 4 is the estimate of the number of
15 customer that the system would have in years 1 through 6.

16 Q And your estimate of the number of customers
17 is that based on your projected two percent building
18 figure?

19 A That's correct.

20 Q Now, you've also applied your estimate
21 of the number of customers and you've broken them down to
22 total number of customers regulated, you know, customers
23 W-1. Could you explain to the Commission how you came up
24 with the various different classifications?

25 A Yes. First of all, the total number of

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1 customer classification is an extension of the company's
2 past history in regards to the amount of sales they
3 make each year.

4 Q By the company, you're talking about land
5 sales at this point.

6 A Yes, the land sales. The total number
7 of regulated customers is two percent as we've talked
8 about previously of the total number of lots that
9 have utility service. The number of metered, regulated
10 customers, in other words, full-time resident customers
11 is estimated at 20 percent of that total of lots that have
12 houses constructed on them.

13 Q Now, you say, "full-time residents," is
14 that 20 percent of the building in your opinion is going
15 to be full-time residents as opposed to what?

16 A As opposed to second home, summer home or
17 weekend home uses.

18 Q How did you come up with that 20 percent
19 figure, Mr. French?

20 A By consulting with the local electric utility
21 in that area, which has a - I don't recall the correct
22 term - but it has a service classification for what
23 amounts to a vacation rate. When the people are not there,
24 the meter stays hooked up, and from their records it
25 indicates to me that about 20 percent of the houses down

1 there are full-time residents, and the balance are
2 part-time, weekend, summer or vacation oriented homes.

3 Q Okay. Then, your classification of W-2
4 customers, that would be the weekend, summer or
5 vacation homes; is that correct?

6 A That is correct.

7 Q And, then, your availability contract
8 customer, which we'll talk about later is--

9 A That's the difference between the total
10 number of customers and subtracting the regulated customers
11 from it.

12 Q Now, referring to table no. 5, Mr. French,
13 would you just generally tell us what this table is?

14 A This is an estimate of water consumption
15 per year by customer classification. We have estimated
16 that full-time residents will use 81,000 gallons a year.
17 The additions of full-time residents we've taken as half
18 of that, an average. The part-time residents would use
19 approximately 36,000 gallons a year. In additions in
20 that classification during the year we've averaged half of
21 that. Resort customer is primarily the Lodge of the Four
22 Seasons, and we have a little handle of their past water
23 usage records from meters that were installed on their
24 water softening equipment.

25 Q Would you tell the Commission how you came

1 up with 81,000 gallons a year for a full-time resident
2 and 36,00 gallons a year for a vacationing resident?

3 A. It's--In terms of the full-time residents,
4 it's an extension of an average of 64 gallons per person
5 per day and three and a half people in the family, and
6 if you extend it to a year that's about what you come up
7 with. The part-time resident is an educated guess, if
8 that kind of guess can be educated, as to the proportion of
9 that, that the part-time resident would use.

10 Q. You also show on table no. 5 a power
11 cost in cents per thousand gallons of water pumped; is
12 that correct?

13 A. That's correct.

14 Q. And that relates to the electrical pumps
15 pumping the water.

16 A. That's correct.

17 Q. Referring to table 6, could you just generally
18 tell us what that table is?

19 A. Table 6 is taking the information in table
20 4, the number of customers, and the proposed rates in
21 table 1 and extending them to produce the yearly revenue.

22 Q. Referring to table 7, could you tell us what
23 that is please?

24 A. Table 7 is the estimated operating and
25 maintenance expense of the system. This is based on my

1 experience in operating the system at a partial percentage
2 of capacity during the constructing phase.

3 Q Table 3, then, could you tell us what that
4 is?

5 A Table 8 is the estimated operating
6 statement. This is a combination of tables 6, 7, 3 and
7 9, and it projects the estimated net income after taxes,
8 estimated net operating income after taxes, but not
9 including interest and projects the return on the net cost
10 rate base and return to equity.

11 Q And those return figures are set out on
12 the bottom as a percentage figure; is that correct?

13 A That's correct.

14 Q Referring to table 9, could you explain
15 that table to us?

16 A Table 9 is an estimate of the cash flow
17 situation for the company through the first six years, and
18 it also tabulates debt interest in equity year by year.

19 Q With reference to your debt interest and
20 equity year by year, what was the primary criteria that
21 the company hopes to maintain and is going to attempt to
22 maintain with reference to your debt equity relationship?

23 A Well, it was felt that we should maintain
24 a debt equity ratio of about--not greater than 70 percent
25 debt. In the early years of the company we wanted to

1 start close to 50 percent equity to establish a solid
2 financial picture to potential lenders and to get the track
3 record off and running in the right direction in terms
4 of our debt to equity balance and make it a financially
5 sound company.

6 Q In your first year, your actual investment
7 at this point, you are on that 50 percent level.

8 A Right.

9 Q And through your six year projection you
10 pretty well maintain this 70/30 ratio.

11 A It never gets above 70.

12 Q Now, then, Mr. French, as the water system
13 or the well been approved by the State Board of Health?

14 A The construction was approved. The well and
15 the pressure grouting was inspected and approved by the
16 Missouri Division of Health. The water system, distribu-
17 tion system, has been--A portion of that has been inspected
18 and approved by the Division of Health. We have submitted,
19 in this Exhibit 2, documentation of the bacteriological
20 analysis and the chemical analysis of the water as
21 performed by the laboratory of the Missouri State Division
22 of Health. These are exhibits 3 and 4 in Exhibit 2.
23 Exhibit 6 is a copy of the permit of approval for supplying
24 water to the public, permit number 6157, issued by the
25 Division of Health to Four Seasons Lake Sites Water & Sewer
Company.

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1 Q Now, Mr. French, these exhibits that you've
2 just talked about and which are attached to your engineering
3 report and marked in that report, are they true and
4 correct as reflected by the records of the company?

5 A Yes, they are.

6 Q Now, then, Mr. French, I want to back you up
7 just a little bit to your feasibility on income, and I
8 believe it's your table no. 6 that shows your anticipated
9 income; is that correct?

10 A Estimated revenue is table 6, yes.

11 Q Now, you have broken your estimated
12 revenues down consistent with the proposed rates that you
13 show in your engineering study under W-1 classification and
14 W-2 classification; is that correct?

15 A That's correct.

16 Q And those are your regulated customers.

17 A That's correct.

18 Q You also show in your estimated revenues
19 table 6, you show an availability contract revenue. Would
20 you explain that item to us please?

21 A Yes. In the land development company's
22 sale of property to the customers, they have from very
23 early in the sales had a separate document that is part
24 of the closing papers which is called a sewer and/or
25 water use agreement. It sets out in there that a regulated

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1 private water company is to be formed to serve water.
2 The water customer agrees to pay an availability charge
3 at the time that the water facility is in front of his
4 lot and available for use.

5 MR. TAYLOR: May I have this marked as
6 Applicant's Exhibit No. 6?

7 EXAMINER DAVIS: It may be marked Exhibit
8 No. 6 for identification.

9 (AT THIS TIME APPLICANT'S EXHIBIT NO. 6 WAS
10 MARKED BY THE REPORTER FOR THE PURPOSE OF IDENTIFICATION.)
11 BY MR. TAYLOR:

12 Q I hand you, Mr. French, what has been
13 marked for identification Applicant's Exhibit No. 6.
14 Would you tell us what that exhibit is?

15 A That is a copy of the sewer and water agree-
16 ment which I just referred to.

17 Q And that sewer and water agreement is sub-
18 mitted to lot purchasers prior to their purchasing land,
19 and when they purchase land they also enter into that
20 agreement; is that correct?

21 A That's correct.

22 Q And your feasibility study as reflected here
23 in your Exhibit 2, engineering report, Mr. French, that
24 reflects in there the revenues that the company anticipates
25 to receive by reason of this contract; is that correct?

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1 A. Yes, it certainly does.

2 Q. Now, then, with reference to the double
3 rate that we are basing our application on, your W-1 rate
4 and your W-2 rate, explain what the W-1 is. For reference
5 you might refer back to table no. 1.

6 A. Okay. Regulated rate W-1 is a general
7 service metered rate. It is intended for full-time,
8 permanent residents and structures that have that type
9 of occupancy. Regulated rate W-2 is general service
10 unmetered which is intended for occupancy uses which are
11 of a part time or vacation nature.

12 Q. And this gets back to this 20 percent figure
13 that you've talked about previously as to your determination
14 as to what would be permanent and as to what would not
15 be permanent or the vacation people.

16 A. That's correct.

17 Q. So that 80 percent of it would be under the
18 W-2 rate. You know, assuming full completion of the entire
19 project.

20 A. That's my best estimate.

21 Q. Now, then, are there any kind of internal
22 controls as far as the entire development is concerned
23 in order that the water company or the Applicant company
24 here would be able to have information to determine if a
25 person is a permanent resident or a vacation resident?

1
2 A Well, there is a security patrol service
3 for the Lodge of the Four Seasons, and the Land of the
4 Fifth Season, the land development, and the security
5 patrol pays particular attention to residents that have
6 a part-time occupancy. Obviously to see that there is no
7 vandalism done and theft and things like that. So
8 there would be a measure of control or information as to
9 whether a structure is used on a part-time basis or
10 whether it is a full-time resident there.

11 Q Now, when you initially set it up, say,
12 I buy a lot from you, and I come in and build a house
13 down there, how would you know whether or not I am going to
14 be a permanent resident initially or a vacation resident?

15 A In the application for water service,
16 we would ask you to declare whether you are a permanent
17 resident or a part-time resident.

18 Q And, then, that initially would determine
19 what rate would be applied to me, whether I would have
20 metered service or unmetered service.

21 A That's correct.

22 Q Now, as I go on, maybe I would start out as
23 a vacation resident, and then I would retire and live
24 down there full time. What would the company do at that
25 point when I changed my status?

1 A They would have the option to classify you
2 as a permanent resident if, in fact, you are and install
3 a meter and change the service classification.

4 EXAMINER DAVIS: So, they would have the
5 option. They might or might not?

6 WITNESS FRENCH: No. I didn't mean it as
7 a discretionary thing. They would be obligated to classify
8 you as a full-time resident and put you on metered service.

9 BY MR. TAYLOR:

10 Q Now, then, in your experience in this
11 development project and from observing, you did live down
12 there at the lake, did you not?

13 A Yes, I did.

14 Q Do you have an opinion in your experience
15 down there as to the water use of people who would have
16 a home down there for vacationing purposes?

17 A Well, my experience has been that people
18 who come there on a weekend type of situation or their
19 two weeks vacation for the summer, come there with the
20 primary purpose in mind and that is to recreate. They
21 don't come down there to do the things they do at home
22 including: the laundry, washing the car and growing grass
23 in the yard. They come down there to go boating and
24 fishing and water skiing and they not only don't want to
25 do, but they probably avoid things; such as, washing cars,

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1 doing the laundry and growing a nice grass lawn and
2 cutting it with a lawn mower. And those three uses right
3 there account for a good deal of domestic water consumption.
4 I would say even proportionately these people use a good
5 deal less water than a full-time resident.

6 Q Would you have an opinion, based on your
7 experience and observations down there, as to the probability
8 of the customer, a vacationing type resident exceeding,
9 down there, minimum billing or anything of that nature?

10 A The probability in my judgment would be
11 very slim.

12 Q Metered or unmetered.

13 A Right.

14 Q Now, then, would you tell the Commission,
15 Mr. French, just very specifically why the Applicant here
16 has proposed the two rates and does not desire to go
17 into a total metered service down there?

18 A Well, it boils down to, generally, a
19 problem of economics and how we can best provide a good
20 water service at a rate that is acceptable to the user
21 and keeping our investment and plant down to the point where
22 we can have the most reasonable water rate consistent with
23 good service.

24 Q Now, then, the ultimate projection of this
25 entire development is what 5,100 lots?

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1 A That is correct.

2 Q Do you have an opinion as to what it would
3 cost to install meters per lot?

4 A It would be in the neighborhood of \$100
5 to \$150 per lot.

6 Q So, you can just multiply that times 5,100
7 and come up with some kind of figure as to what the total
8 investment we're talking about in meters.

9 A That's correct.

10 Q Now, then, you do in your feasibility study
11 have a meter investment capitalized with reference to the
12 20 percent, permanent residents.

13 A That's correct.

14 Q So then whatever that figure would come
15 up, 80 percent of it is the figure we're talking about as to
16 additional capitalization if it's necessary for this company
17 to meter its entire system; is that correct?

18 A That's correct.

19 Q Now, then, in previous conferences the
20 company has been advised that it could charge a meter
21 installation fee that in some respects may defer part of the
22 investment; is that correct?

23 A That is correct.

24 Q What problems do you foresee at this
25 present point with reference to a meter installation

1 charge being put into our tariffs in order to defray
2 this capital expence?

3 A. We may have a little problem and it may
4 even be a big problem in terms of the sewer and water
5 use agreement that we have entered into with the customers
6 there. This states that there will be no charge to the
7 customer for the right to connect to the water system,
8 and that's the gray area I don't feel confident to give
9 an opinion on. That's a lawyer's work, but I would feel
10 very uncomfortable in going to our customers and asking
11 for a \$150 for a meter or tap charge.

12 Q. By reason of the provision in that contract?

13 A. By reason of the provision in our water
14 use agreement.

15 Q. The company as far as you know at this
16 point is attempting to make some kind of determination
17 as to its liability under that language for assessing
18 charges of that nature.

19 A. That's correct. We've asked counsel who
20 assisted in preparing this agreement to give us an
21 opinion.

22 Q. But at this point we don't know what it means,
23 and we're afraid to make any definitive statement at this
24 point; is that correct?

25 A. That's correct.

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1 EXAMINER DAVIS: Do you know how many
2 water use agreements you have already signed?

3 WITNESS FRENCH: I would say approximately
4 14 to 1,500. So the scope of the problem is substantial.

5 MR. PHILLIPS: Could we go off the record?

6 EXAMINER DAVIS: Off the record.

7 (Discussion off the record.)

8 EXAMINER DAVIS: Back on the record. Let's
9 take a short recess.

10 WHEREUPON, a recess was taken.
11

12 PURSUANT to the recess, the hearing of this
13 case was resumed, and the following proceedings were had:

14 EXAMINER DAVIS: Let's go back on the record.

15 WITNESS FRENCH RESUMED THE STAND

16 BY MR. TAYLOR:

17 Q Now, Mr. French, with reference to Exhibit
18 6, which is that water agreement with the customer, is that
19 agreement also included in your HUD report as filed with
20 the federal government?

21 A It's included in a document called a
22 statement of record which we file with the office of
23 Inter-state Land Registration. A copy of it is supplied to
24 and executed by every customer.

25 Q Now, then, Mr. French, on the basis of your

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1 Exhibit No. 2, which we discussed here, do you have an
2 opinion as to the feasibility of the proposed water system?

3 A. Yes, I do.

4 Q. What is that opinion?

5 A. Based on my analysis of this system and
6 based upon the ability to use an availability charge,
7 from an engineering, construction and geologic standpoint,
8 source of supply and other engineering considerations,
9 I find the project to be feasible.

10 MR. TAYLOR: Thank you very much. I have
11 no further questions.

12 I offer Exhibit No. 2 and Exhibit No. 6.

13 MR. PHILLIPS: No objection.

14 EXAMINER DAVIS: Exhibit No. 2 and
15 Exhibit No. 6 are received in evidence.

16 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 2 AND
17 6 WERE RECEIVED IN EVIDENCE AND MADE A PART OF THIS RECORD.)
18 CROSS-EXAMINATION BY MR. PHILLIPS:

19 Q. Mr. French, how many water meters will be
20 installed in this system? I think you testified 20
21 percent; is that correct?

22 A. Yes.

23 Q. In numbers how many will that be?

24 A. Okay. May I refer to the report?

25 Q. Yes.

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1 A. At the end of the sixth year I would
2 estimate that there would be 50 metered customers.

3 Q. At the end of what year?

4 A. At the end of the sixth year.

5 Q. How many unmetered customers?

6 A. 196.

7 Q. How many homes at this development have been
8 built?

9 A. There are approximately 25 substantially
10 completed at the last time I visited the development
11 which was about six weeks ago, and that would be close.

12 Q. Are there any permanent residents there
13 at the present time?

14 A. Yes.

15 Q. How many?

16 A. Can we go off the record a minute?

17 Q. Sure.

18 EXAMINER DAVIS: Off the record.

19 (Discussion off the record.)

20 EXAMINER DAVIS: Let's go back on the record.

21 WITNESS FRENCH: Of my own personal
22 knowledge I can think of five.

23 EXAMINER DAVIS: What was the figure you
24 estimated at the end of the sixth year of permanent
25 residents?

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1 WITNESS FRENCH: Fifty. And 196 part-time
2 or vacationers.

3 BY MR. PHILLIPS:

4 Q And do you propose to provide any fire
5 service, any fire plugs and this sort of thing?

6 A In terms of the supply, storage and
7 distribution system of this water company, no. It's
8 not practical in terms of cost.

9 Q What is the rationale? Is it a cost
10 factor?

11 A It's a cost factor. In overall concept
12 this type of development is a hybrid between what you would
13 do for an urban situation and what we're all familiar with
14 a rural water district. A rural water district would only
15 provide distribution system for the customers that are
16 already there. We're providing distribution system capacity
17 in the pipe sizes for ultimate development, but not for
18 fire flow. So, the system is someplace in between an
19 urban situation and a rural domestic water system.

20 Q Have you done feasibility studies for other
21 like developments; such as, the Four Seasons?

22 A Yes.

23 Q Have they had fire flow service?

24 A None that I have been associated with,
25 with the exception of one. This particular development was

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1 within a mile of the city limits of Topeka, Kansas and
2 was for all practical purposes a full-time residential
3 subdivision.

4 Q If this were a full-time subdivision would
5 your estimate be different for the feasibility of fire
6 flow?

7 A Certainly.

8 MR. PHILLIPS: That's all I have, Your
9 Honor.

10 EXAMINER DAVIS: Mr. French, one thing,
11 at the end, when you get all of the development finished,
12 what is your estimate in round numbers of permanent
13 homes? You may have stated that, but I don't remember?
14 Just roughly.

15 WITNESS FRENCH: Let's say, assume for the
16 purposes of illustration it will be eight or nine years
17 before all 5,100 lots are developed and sold, I would
18 estimate that we would be at that time someplace in the
19 neighborhood of 450 to 500 homes at that time. Now,
20 this is using the two percent growth factor or building
21 factor which is conservative based on prior developments
22 of a somewhat similar nature on the lake. But I didn't
23 feel justified in using that strong of a rate of growth,
24 because we're in a substantially higher price range than
25 the previous developments.

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1 EXAMINER DAVIS: What I am interested in
2 and what I was thinking about, if you're going to have
3 no more than 100, 150, up to 500 homes, it seems to me
4 it might be better to have unmetered water service, rather
5 than to spend the money to put meters in. Have you
6 ever thought about that?

7 WITNESS FRENCH: Yes, I have. You get
8 into a different ball game on unmetered service when you
9 have a permanent resident. Because that permanent
10 resident does the things that folks in St. Louis or Kansas
11 City or wherever they do, do. They use an automatic
12 washer a good deal, they wash cars, they grow lawns, and
13 in a situation such as this where it's normal, family
14 activity, you can expect if a water service is unmetered,
15 they will use a good deal of it.

16 EXAMINER DAVIS: In other words, they would
17 be more liberal if it is unmetered than they would--

18 WITNESS FRENCH: Absolutely. The two
19 exceptions in my experience of people using less than
20 normal when they have unmetered service are in a recreational
21 community or in a rural water district, where the people
22 are not used to having a central water system, and from
23 years of habit are inclined to turning the tap off quick
24 because they're afraid the little well on the farm is going
25 to go dry, and that's just a matter of years and years of

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1 habit in their water use. But with those two exceptions
2 unmetered service generally produces higher capacity
3 uses, per capita uses than metered service.
4

5 EXAMINER DAVIS: Would you have any idea
6 about what percent of those people probably have swimming
7 pools?

8 WITNESS FRENCH: I would say very few.
9 A substantial part of those people will have waterfront
10 lots, right on the lake, and in the development of the
11 community a number of swimming pools are provided, even
12 out in the residential sections. So that a private swimming
13 pool is available to all the folks in that development.
14 To my knowledge of the approximately 25 houses that have
15 been built there, there's not one private swimming
16 pool to date.

17 EXAMINER DAVIS: It would be useless to
18 build one if you have some in the development.

19 WITNESS FRENCH: That would be my opinion.

20 EXAMINER DAVIS: Will there be anything
21 else?

22 Witness may be excused.

(Witness excused.)

23
24 MR. TAYLOR: The Applicant rests.

25 EXAMINER DAVIS: Does the Staff have
anything?

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1 MR. PHILLIPS: Yes, we would like to have
2 Mr. Bockman to testify briefly.

3 (Witness sworn.)
4

5
6 MR. PHILLIPS: We call Mr. Gary Bockman
7 please.

8 STAFF'S EVIDENCE

9 G A R Y B O C K M A N, called as a witness in behalf
10 of the STAFF, being duly sworn, testified
11 as follows:

12 DIRECT EXAMINATION BY MR. PHILLIPS:

13 Q Mr. Bockman, for the record what is your
14 name?

15 A Gary Bockman.

16 Q What is your address?

17 A My address is Route 1, Jefferson City,
18 Missouri.

19 Q By whom are you employed?

20 A I'm employed by the Missouri Public Service
21 Commission in the rates and services department.

22 Q How long have you been employed by the
23 Missouri Public Service Commission?

24 A Seventeen months.

25 Q Mr. Bockman, in your official capacity with
the Commission, did you have cause to examine the

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1 feasibility study that has been submitted by the
2 Applicant in this cause?

3 A. Yes, the study has been available for my
4 study for about the past two weeks, and I've reviewed
5 it thoroughly.

6 Q. Do you have any recommendations to make to
7 the Commission in regard to anything contained in that
8 feasibility study or anything proposed by the Applicant?

9 A. The only thing that we really are not com-
10 pletely satisfied with is the proposal for not installing
11 meters on all customers.

12 The Staff has run into various problems
13 with unmetered systems in the past. One of which that
14 I can foresee and this problem is the switch over point
15 at some future date on the flat rate customer to the
16 metered system. A policy definitely has to be established
17 to do that. If the company would install the meters
18 now perhaps there would be a saving from the inflationary
19 aspect. An unmetered system is generally inequitable
20 to the customers, and especially a mixture of the system.

21 Q. What do you mean by inequitable to the
22 customer of an unmetered system?

23 A. If a person is careful, behaves normally,
24 as has been indicated already, he may not use too much
25 water for--In this case he would pay \$5 a month. However,

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1 if someone does want to water his lawn, and I've seen
2 this happen, turn on sprinklers and leave for a week,
3 he also pays \$5. So, the prudent person is paying for
4 the imprudent person in the use--on the flat rate system.

5 A problem that the Commission has faced
6 in the past is with rate increases for the flat rate
7 systems, and the most recent one that I can think of
8 would be the Jefferson County Water case, wherein, the
9 Commission ordered the company to go in and install meters.
10 And the Staff just feels that it is better on a new system
11 to start it out on a metered basis if possible.

12 Q And that's whether or not the customers
13 will be part-time residents or whether or not they're full
14 time; is that correct?

15 A Right. Just because one customer is a
16 part-time resident, generally speaking, he won't use as
17 much water, but there's no guarantee.

18 Q Well, are you telling the Commission that
19 this application should be denied because the company
20 does not propose to install water meters for all its
21 customers?

22 A Well, I don't really want to say to deny
23 this certificate solely on that. The Applicant has
24 pointed out the problem of charging a connection fee
25 for the meters is questionable because of their previous

1 contracts. I think that there are some legal questions
2 there that I can't answer, but unless there is some
3 severe problem like that, it's the Staff's opinion that
4 they should install meters on all customers.

5 MR. PHILLIPS: I tender the witness for
6 cross-examination.

7 CROSS-EXAMINATION BY MR. TAYLOR:

8 Q Mr. Bockman, if I understand your testimony,
9 as far as the entire scope of the application, you have
10 no objection to it whatsoever other than to the one
11 area of unmetered service; is that correct?

12 A Yes, that's right.

13 Q Now, disregarding that particular point
14 at this minute, if I understand the Staff's position,
15 the remaining part of the application as far as feasibility,
16 construction, system, certificated area, et cetera is all
17 satisfactory with the Staff and you would approve that
18 part of it.

19 A Yes. The feasibility study is one of the
20 better ones that I've seen, and I have no objection to
21 any of the rest of it.

22 Q Now, then, with reference to this unmetered
23 service, and we discussed this yesterday at quite some
24 length and realizing this potential contractual problem
25 and the additional investment the company may have to

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1 make, and if that were a fact, would the Staff have a
2 different opinion with reference to the position stated
3 here?

4 A. If the company can't charge these connection
5 fees, then, as has been indicated, it's going to merely--
6 Currently you're investing \$225 per lot, and you're
7 going to be talking approximately another \$100 or
8 roughly 50 percent more, and if that were the case, we
9 probably would have to reconsider. I don't see how we
10 could avoid it.

11 Q. Wouldn't it follow, in the event we were
12 required to put in the meters, and the company by reason
13 of contractual obligations would be required to make
14 that investment itself, then instead of a \$225 investment
15 per lot, the company would have a \$325 or plus investment
16 per lot?

17 A. Yes. Something in that neighborhood.

18 Q. And, then, by reason of that investment,
19 it would be necessary to go back and increase our rates
20 in order to have a return and to make this operation
21 feasible.

22 A. Right. That's the reason I pointed out
23 the contract problem.

24 Q. So, then, you would want to reconsider
25 your position in the event that did end up, and we had to
take on that obligation.

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1 A. Yes.

2 MR. TAYLOR: Thank you. That's all.

3 EXAMINER DAVIS: Witness may be excused.

4 (Witness excused.)

5
6 EXAMINER DAVIS: Is there anything else?

7 MR. PHILLIPS: No, Your Honor, that's all.

8 EXAMINER DAVIS: Are you willing to waive
9 the provisions of the Administrative Procedure Act?

10 MR. TAYLOR: Yes, sir. I've already
11 signed the waiver.

12 EXAMINER DAVIS: Do you desire to brief or
13 argue before the Commission?

14 MR. TAYLOR: No, I do not.

15 EXAMINER DAVIS: I understand you have a
16 proposed Report and Order.

17 MR. TAYLOR: Yes.

18 EXAMINER DAVIS: You give it to me and
19 I will hold it for four weeks, roughly around the first
20 of the year, and--Wait a minute. Before I do that, are
21 you in a bind on any kind of time schedule?

22 MR. TAYLOR: Yes, sir. We are.

23 EXAMINER DAVIS: Off the record.

24 (Discussion off the record.)

25 EXAMINER DAVIS: Back on the record. Is

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1 there anything else? Case closed.

2 WHEREUPON, the hearing of this case was
3 concluded.

24 TRANSCRIBED BY:

25 Judi K. Johnston

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I N D E X

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E X H I B I T S

APPLICANT'S EXHIBITS: MARKED RECEIVED

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Exhibit No. 5

Map of Kays Point No. 7 19 21

Exhibit No. 6

Sewer and Water Agreement 38 46

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 16th day of June 2010.



A handwritten signature in dark ink, appearing to read "Steven C. Reed", written over a horizontal line.

Steven C. Reed
Secretary