

Received 9/3/02  
W/S Dept.  
*[Signature]*

GREGORY D. WILLIAMS  
ATTORNEY AT LAW  
HIGHWAY 5 AT 5-33  
P. O. BOX 431  
SUNRISE BEACH, MO 65079

573 / 374-8761

FAX 573 / 374-4432

September 3, 2002

Mr. William P. Mitchell  
President  
Osage Water Company

FAX: 346-0040

Re: Resignation of Officers and Directors

Dear Mr. Mitchell:

Please be advised that Gregory D. Williams does hereby resign as a director and as registered agent for Osage Water Company, and that Debra Williams hereby resigns as a director and as secretary of Osage Water Company.

Sincerely yours,

*[Signature]*  
Gregory D. Williams

*[Signature]*  
Debra J. Williams

**Krueger, Keith**

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**From:** gregw@laurie.net  
**Sent:** Wednesday, September 25, 2002 10:56 AM  
**To:** 'O'Neill, Ruth'  
**Cc:** Keith Krueger; 'Jim Merciel'  
**Subject:** RE: prehearing scheduled in WA-2002-65

Ruth -

Thank you for your note regarding the above. Additional time to discuss matters with Pat Mitchell is neither necessary or desirable. I no longer have any expectation that a certificate will ever be granted that would allow wholesale supply of water for Eagle Woods customers. Accordingly, I have advised Debbie to take the necessary steps to discontinue the current interconnection of the Golden Glade water system and the Eagle Woods water system, and to put Eagle Woods back on the water well drilled by Ron Westenhaver and conveyed to OWC. I don't think it has enough capacity to adequately serve the existing Eagle Woods homeowners, much less the new houses Mr. Westenhaver is building, but that is not my problem. I will not continue to subsidize OWC by providing free water for it to sell to its Eagle Woods customers.

With respect to rescheduling the pre-hearing conference, I don't care when or if it is held. My calendar is currently open for 10/7, but I don't see much point in spending further effort on this case. It does not appear to me from the pleadings filed by Staff and OPC that there is a clear list of issues to be resolved, or that the issues raised in those pleadings are even legitimate concerns. Rather, it appears that the pleadings were submitted for the purpose of insuring that Env. Util. would not receive a certificate and that its tariff would not become effective as filed. Under those circumstances, extensive and costly litigation would be required to resolve the "non-issues" raised in your pleadings.

Our primary concern is to make sure that our homeowners in Golden Glade have adequate water and sewer service. That can be accomplished without further involvement in PSC proceedings by simply transferring the water system to the existing homeowner's association, and disconnecting the interconnect with Eagle Woods.

If I have misunderstood the intent of your pleadings, or you wish to discuss an immediate solution that would result in the granting of the requested certificate and approval of the tariff so that water can be supplied to Eagle Woods and paid for, please don't hesitate to contact me.

GDW

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Exhibit 2

10/3/2002

2 Company Name: Osage Water Company

**WATER OPERATING REVENUES, EXPENSES AND STATISTICS**

	Amount
3 <u>Total Operating Revenues (From Page W-2, Line 24)</u>	82,658
<b>Operating Expenses</b>	
4 <u>Salaries &amp; Wages (From Page 7, Line 15)</u>	1,268
5 <u>Employee Pensions and Benefits</u>	0
6 <u>Purchased Water</u>	0
7 <u>Plant Operations Expenses (From Page W-3, Line 11)</u>	14,331.56
8 <u>Billing Expenses</u>	224
9 <u>Supplies and Expenses</u>	736
10 <u>Transportation Expenses</u>	104
11 <u>Rent Expense (Attach Explanation)</u>	0
12 <u>Insurance Expense</u>	5846.19
13 <u>Outside Services Employed (Legal, Accounting, etc.) (From Page 8)</u>	4,568.02
14 <u>Regulatory Commission Expenses</u>	1,374.82
15 <u>Uncollectible Expenses (From Page 6, Line 28)</u>	
16 <u>Depreciation Expense (From Page W-6, Line 46)</u>	30,470.
17 <u>Amortization of contributions in aid of construction (Page 9)</u>	( 7,704 )
18 <u>Amortization Expense</u>	22,736
19 <u>Tax Expenses (From Page W-3, Line 19)</u>	23,072.72
20 <u>Interest Expense (From Page <sup>10</sup> 7, Line 19)</u>	11,674.50
21 <u>Other Expenses (Attach Explanation)</u>	32,705.70
22 <b>Total Operating Expenses</b>	<b>85,974</b>
23 <b>Net Income (Loss) (Line 3 less Line 22)</b>	<b>( 3,316 )</b>

Exhibit 3

2 Company Name: Osage Water Company**SEWER OPERATING REVENUES, EXPENSES AND STATISTICS**

	Amount
3 <b>Total Operating Revenues (From Page S-2, Line 21)</b>	34,434
<b>Operating Expenses</b>	
4 <b>Salaries &amp; Wages (From Page 7, Line 15)</b>	1,267
5 <b>Employee Pensions and Benefits</b>	0
6 <b>Contracted Treatment Expenses</b>	0
7 <b>Plant Operations Expenses (From Page S-3, Line 13)</b>	12,053
8 <b>Billing Expenses</b>	224
9 <b>Supplies and Expenses</b>	736
10 <b>Transportation Expenses</b>	104
11 <b>Rent Expense (Attach Explanation)</b>	3000
12 <b>Insurance Expense</b>	2328
13 <b>Outside Services Employed (Legal, Accounting, etc.) (From Page 8)</b>	1,864
14 <b>Regulatory Commission Expenses</b> <i>Included on Water</i>	
15 <b>Uncollectible Expenses (From Page 6, Line 28)</b>	
16 <b>Depreciation Expense (From Page S-5, Line 24)</b>	3,743
17 <b>Amortization of contributions in aid of construction (Page 9)</b>	(2,138)
18 <b>Amortization Expense</b>	1,605
19 <b>Tax Expenses (From Page S-3, Line 21)</b>	
20 <b>Interest Expense (From Page <sup>10</sup><del>7</del>, Line 19)</b>	0
21 <b>Other Expenses (Attach Explanation)</b>	
22 <b>Total Operating Expenses</b>	23,181
23 <b>Net Income (Loss) (Line 3, Less Line 22)</b>	11,253

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of  
Environmental Utilities, LLC to acquire by  
Foreclosure the franchise, water works, and  
Sewer Systems of Osage Water Company.

Case No. WM-2003-0065

APPLICATION

Siled 8-23-02

COMES NOW Environmental Utilities, LLC, (the "Applicant"), pursuant to Section 393.190 RSMo, and states as follows:

1. Applicant is duly organized and operates as a limited liability company under the laws of the State of Missouri, and maintains its principal office and place of business as Highway 5 at Lake Road 5-33, P.O. Box 650, Sunrise Beach, Missouri, and is a public utility as defined in Section 396.020 RSMo subject to the jurisdiction, supervision, and control of the Commission over the transmission, distribution and sale of water in Applicant's service area in Camden County, Missouri. Applicant was approved by this Commission to provide water utility service in Case WA-2002-65.
2. Osage Water Company is an administratively dissolved corporation organized under the laws of the State of Missouri and has been authorized by this Commission to provide water and sewer utility service in various specific service areas in Camden county, Missouri.
3. Communications regarding this Application should be made to:

Gregory D. Williams  
Attorney at Law  
P.O. Box 431  
Sunrise Beach, MO 65079  
573-374-8761 Telephone  
573-374-4432 Facsimile  
[gregw@laurie.net](mailto:gregw@laurie.net) e-mail

4. Applicant proposes to acquire by foreclosure the franchise, water works, and sewer systems presently owned and operated by Osage Water Company and necessary or useful to provide water and/or sewer utility service to its customers in the certificated service areas of Osage Water Company, under the terms and conditions of a promissory note executed by William P. Mitchell as president of Osage Water Company, with a current principal balance of \$500,000 issued by Osage Water Company on February 15, 2002 to secure payment of balances due from Osage Water Company to Gregory D. Williams for legal services rendered, and which promissory note is secured by a Future Advance Deed of Trust & Security Agreement of the same date filed of record on March 6, 2001 in Book 210 at Page 59 in the Office of the Recorder of Deeds of Camden County, Missouri, a copy of which is attached hereto as Appendix A. Osage Water Company is in default for failing to pay any of the principal or interest installments due under said note. Applicant acquired said promissory note and Future Advance Deed of Trust by Assignment dated August 14, 2002 and recorded in Book 540 at Page 563 in the Office of the Recorder of Deeds of Camden County, Missouri.
5. Said Future Advance Deed of Trust is subordinate to a Deed of Trust executed by Osage Water Company in favor of Central Bank of Lake of the Ozarks on July 9, 1997 and recorded in Book 186 at Page 394 in the Office of the Recorder of Deeds of Camden County, Missouri, and a Judgment of Mechanic's Lien in favor of Jim Clary Concrete Construction, Inc. dated April 9, 2002 and recorded in Lien Book 7 at Page 698 in the Office of the Recorder of Deeds of Camden County, Missouri.

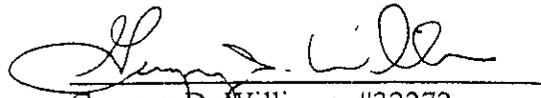
6. Applicant has commenced foreclosure proceedings with respect to said Future Advance Deed of Trust and contemplates that a trustee's sale thereunder will be held on September 13, 2002 at 1:00 p.m. at the East Front Door of the Camden County Courthouse. A copy of the Notice of Foreclosure is attached hereto as Appendix B.
7. While Applicant cannot assure the Commission that it will be the successful bidder at said foreclosure sale, Applicant desires to place the Commission on notice of the pendency of said foreclosure and of Applicant's desire to obtain the Commission's approval to acquire said assets of Osage Water Company and to operate the same under the jurisdiction and regulation of the Commission if it is the successful bidder at said sale.
8. The proposed transaction would not harm the public interest in that (a) Applicant is an existing regulated utility company operating under the jurisdiction and regulation of the Commission and has a water tariff on file with the Commission; (b) Osage Water Company is an administratively dissolved corporation and is not authorized to conduct business in the State of Missouri; (c) Osage Water Company is insolvent and unable to pay its debts as they come due; (d) Osage Water Company is unable to obtain capital necessary to repair its systems and to expand the same for additional customers, (e) the sale of all of the assets of Osage Water Company is in the best interests of the customers thereof as breaking the same down into component portions for sale may result in higher operating costs for each respective component thereof.
9. Customers of Osage Water Company will not initially experience any change in rates after the transfer, as Applicant's rates for water service are identical to those of Osage Water Company, and Applicant proposed to initially adopt the terms and conditions

of Osage Water Company's sewer tariff if this Application is approved. Future rate changes by Applicant will be subject to the Commission's rate making procedures.

10. No change in tax revenues to Camden County should occur as a result of the approval of this Application.
11. Upon completion of the foreclosure sale and approval of this Application, Osage Water Company will no longer have any utility assets subject to the jurisdiction of the Commission and its certificates of convenience and necessity may be terminated by the Commission.

WHEREFORE, Applicant respectfully requests the Commission to issue an order:

- (1) Approving the foreclosure of all of the assets of Osage Water Company, and upon successful acquisition at said foreclosure sale by Applicant, approving the transfer of all of said assets to Applicant; and
- (2) Granting to Applicant certificates of convenience and necessity to provide public water and/or sewer utility service within the current certificated water and sewer service areas of Osage Water Company; and
- (3) Terminating the certificates of convenience and necessity heretofore granted to Osage Water Company.



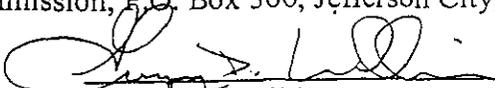
Gregory D. Williams #32272  
Highway 5 at Lake Road 5-33  
P.O. Box 431  
Sunrise Beach, MO 65079  
(573) 374-8761

#### CERTIFICATE OF SERVICE

I, Gregory D. Williams, do hereby certify that a true copy of the foregoing was on this 16<sup>th</sup> day of August, 2002, mailed, postage prepaid, to the following:

William P. Mitchell, President, Osage Water Company, P.O. Box 826, Linn Creek, MO 65052;

Office of Public Counsel, P.O. Box 7800, Jefferson City, MO 65102; Office of the General  
Counsel, Missouri Public Service Commission, P.O. Box 360, Jefferson City, MO 65102.



Gregory D. Williams

1 is not Staff's responsibility to prove that you should  
2 have the certificate. It is the company's  
3 responsibility --

4 A. I understand.

5 Q. -- who is applying for that certificate.

6 A. I understand. I'm simply suggesting if I'm  
7 doing a good job managing Osage Water Company, to me,  
8 in my mind, the only difference is it's a different  
9 set of books, it's a different -- it's a different  
10 name. It's the same job. It's different customers,  
11 maybe a different computer, if necessary. Whatever  
12 the requirements are we're willing to do it.

13 What we're not willing to do is give a  
14 \$90,000 water system to a company that has not been  
15 successful and continue to affiliate ourselves with  
16 people who managed the company in a way that was not  
17 satisfactory to our customers or to the Commission,  
18 and that's the entire purpose of this application.

19 Q. Is to avoid having it under the name of  
20 Osage Water Company?

21 A. Or be affiliated with the people therein,  
22 yes, ma'am. It's not just the name. It's the people.  
23 We want to disassociate ourselves with people who we  
24 do not want to be affiliated with anymore.

25 Q. And what do you plan to do with the areas

1 that Osage Water Company currently serves?

2 A. We -- you mean different than what we're  
3 doing now?

4 Q. Well, you want to disassociate yourselves  
5 from Osage Water Company. Is that -- I thought I  
6 heard you say that.

7 A. Right. We would love to do that, but we  
8 feel like we have an obligation to our 400 customers,  
9 some of whom are in our own subdivisions. We have  
10 made a substantial investment in the company with zero  
11 return.

12 Osage Water Company is at a point where it  
13 has to borrow money. We need a cash infusion of money  
14 to survive. When we have approached the partners in  
15 Osage Water Company to go to the bank and borrow the  
16 money necessary to bring all of their debts current,  
17 no one was willing to do that. And Greg and I are not  
18 willing to borrow any more money or infuse any more  
19 money into the Osage Water Company, including our --  
20 including our Golden Glade systems.

21 If we're doing all of the work and infusing  
22 all of the money, we're not going to -- we're not  
23 going to do that anymore. We're not going to give  
24 them the system that we paid for, this system.

25 Q. Give them. Give who?

1 Q. Okay. And did Mr. Mitchell have general  
2 control of day-to-day operations?

3 A. Yes, he did.

4 Q. And with respect to the other officers and  
5 directors, was there a regular meeting, monthly  
6 accounting reports, and anything of that sort that  
7 took place during that time frame?

8 A. Not to my knowledge.

9 MR. WILLIAMS: What's our current exhibit  
10 number?

11 JUDGE WOODRUFF: We would be up to 19.

12 (EXHIBIT NO. 19 WAS MARKED FOR  
13 IDENTIFICATION.)

14 BY MR. WILLIAMS:

15 Q. Let me hand you what I've marked as  
16 Exhibit 19, and ask you if you can identify this for  
17 the Commission?

18 A. It's a photograph of the company records  
19 that were placed on the porch of our locked office on  
20 July 7, 4th of July weekend, while we were away from  
21 the office.

22 Q. Does that exhibit consist of two  
23 photographs?

24 A. Yes.

25 Q. And what do the boxes that are shown in that

1 photograph consist of?

2 A. It's all of the financial records of Osage  
3 Water Company.

4 MR. WILLIAMS: I offer Exhibit 19 into  
5 evidence.

6 THE WITNESS: Financial/regulatory.

7 BY MR. WILLIAMS:

8 Q. Now, these boxes that were left on your  
9 doorstep, was this part of a prearranged plan?

10 A. No.

11 Q. Who left those boxes there?

12 A. Mr. Mitchell.

13 Q. Did he call in advance and say he wanted to  
14 turn over operations of the company to you?

15 A. No, he did not.

16 Q. Were you surprised to find them there?

17 A. Extremely.

18 Q. And were the boxes well organized such that  
19 it was easy then to take them and put together the  
20 records of the company?

21 A. Well, I don't think taking over a company  
22 with 400 customers is easy overnight no matter what  
23 condition the records are in. They were in file  
24 folders and binders, but it -- it was a very difficult  
25 task.

A. No. Osage Water Company was formed in 1987 by William R. ("Bill") Mitchell, Martha Mitchell, his wife, and William Patterson ("Pat") Mitchell to own and operate a regulated water utility system in the City of Osage Beach. They remained as the sole owners and managers of the Company until 1992. At that time, with the approval of the Commission, additional stock was issued to David L. Hancock and Gregory D. Williams in exchange for water and sewer systems that they each owned. Pat Mitchell was appointed as president of OWC, and served in that capacity until 1996. David L. Hancock was appointed as vice-president, and served in that capacity until 1996. Gregory D. Williams was appointed as the secretary of OWC, and continues to serve in that capacity at the present time. As a result of various disagreements, including his failure to transfer ownership or operation of the water and sewer systems he had agreed to contribute to OWC in exchange for stock, Mr. Hancock was removed from office in 1996, Mr. Williams was appointed as president, and Mr. Mitchell was appointed as vice-president. Mr. Williams served as president until January of 2001, at which time Mr. Mitchell was again appointed as president, and continues to serve in that capacity at this time. With respect to general operations, Mr. Mitchell ran the business operations of OWC throughout the entire period of its existence until July 7, 2001, when he abruptly and without prior notice quit.

Q. Please explain Mr. Mitchell's "abandonment" of OWC.

A. On July 7, 2001 my husband and I returned to his law office after various appointments to find numerous boxes containing the records of OWC and the keys to its various water and sewer systems on the outside porch, together with a

letter from Mr. Mitchell indicating he no longer intended to operate OWC. A copy of that letter is attached as Schedule EU-4. I have managed OWC's operations since that date.

Q. Mr. Cochran ascribes various actions of OWC in 1994 as attributable to Mr. Williams. Is this consistent with the management and operation of OWC at that time?

A. No. Mr. Williams was the corporate secretary and attorney for OWC in 1994. Mr. Mitchell was the president, and Mr. Hancock was the vice-president. Mr. Mitchell and Mr. Hancock were the officers in charge of carrying out the business of OWC. Mr. Williams was in charge of the corporate minute book.

transfer of assets  
Q. Mr. Cochran asserts that assets of OWC have been transferred to Environmental Utilities and/or to other entities controlled by you and your husband. Is this accurate?

A. No. Mr. Cochran provides no documentation of such transfers because no such documentation exists, because no such transfers have ever occurred.

financial demise of OWC  
(and no EU impact on that)  
Q. Do you agree with Mr. Cochran's assertion that the financial demise of OWC is imminent?

A. There is no question but that OWC is financially challenged as a result of the overbuilding of its water systems by the City of Osage Beach, and the introduction of competition for water customers in service areas that are regulated by the Commission on the assumption that OWC holds a monopoly. As to whether OWC will be forced to cease operations, commence a bankruptcy proceeding, or take other drastic action, only time will tell. OWC is at present meeting its day-

7/6/01

Greg-

I am tired and broke. You want all of assets you get all of the headaches.

1. The gravity line from the filter at sb5 is plugged. The treated water is not draining to the lake directly but appears to be coming up in the yard between tracts 1 and 2 Mr. Hopper who lives in the first house where the pipe exits his seawall told me several years ago that he would plug the line. I was hoping that the leak that we repaired was the clean looking water surfacing but further investigation last Saturday revealed the blocked line.
2. You need to arrange for pumping at Harbor Bay today. The pumps to building c-d are plumbed in but there is an electrical gremlin that has eluded me and they have never been operational. The wires may still be screwed up from when Roelofsz cut them or there is an intermittent float or control problem. Until the electrical problem is solved the tank should not be backfilled. Keith sent another violation that was for a leak in the recirc. tank at SB5 and for hooking up the pumps that don't work dated June 4 and received on July 3. On June 4, the elect. to the control panel was not hooked up. The leak may be the blocked line backing up or is just dribbles.
3. You need a "C" licensed wastewater operator and a "D" licensed water operator today.
4. I am delivering to DNR today the last revisions that Keith wanted for KK and a box full of lead and copper samples that I took last weekend. All routine environmental samples for June have been processed and records sent to DNR. No sampling has been performed for July.
5. You need to arrange with someone to do construction at Harbor Bay and to install meters at Cedar Glen.
6. Cavern View has not signed their deed yet but has a new pump.
7. Good luck--you will need it.

Sincerely,



William P. Mitchell  
On vacation

Exhibit 8

Schedule EU - 4

licensed professional engineers experienced in the design, construction, and operation of water and sewer systems.

General Management and policy of the Company is determined by the members of the Company..

## EMPLOYMENT AND PERSONNEL PLANS

### ANTICIPATED OPERATION COSTS

The water system will be operated by the Company jointly with its operation of the Osage Water Company systems abandoned by William P. Mitchell. As a result, the additional operating costs will be marginal in nature, and cannot be specifically estimated at this time. The Company will maintain separate accounting records and time sheets to allow the Commission's Staff to accurately account for actual operating expenses for the Golden Glade System in connection with the rate case to be filed upon the granting of a certificate by the Commission.

### CAPITAL REQUIREMENTS, FINANCING

The Golden Glade water systems will be paid for and contributed by the Developer. Future extensions outside the Golden Glade project will require additional approval from the Public Service Commission, and will be subject to the Main Extension Rule and Capacity Expansion Rule in the Company's proposed tariffs, or a specific written contract with the person or persons requesting service.

### ANTICIPATED RATES

The Company anticipates utilizing Osage Water Company's current tariff rates recently approved by the Public Service Commission until a rate case is completed by the Commission's Staff. A rate case will be commenced upon completion of construction of the water system or the granting of a certificate by the Commission, whichever later occurs. Those rates are set forth on 2<sup>nd</sup> Revised Sheet No. 5 in Osage Water Company's Water Tariff on file with the Commission.

## CONCLUSION

The Company believes that the granting of a Certificate of Convenience and Necessity for Golden Glade is in the public interest in that it will provide regulated water service to residents of those areas who otherwise will not have access to regulated service..

1 Q. Has Mr. Mitchell participated in any way in  
2 the day-to-day operations of Osage Water Company since  
3 the date he left those boxes of records on your  
4 doorstep?

5 A. No.

6 Q. Now, at the time that those boxes were left  
7 on your doorstep, what was the status of filing of  
8 annual reports with the Public Service Commission?

9 A. The last report that was filed was 1997. Is  
10 that right? 1997.

11 Q. Would it have been 1998?

12 A. We had just filed '99, so it would have been  
13 '98. I'm sorry.

14 Q. And since the time that you got those  
15 records, have you been able to update any of the  
16 annual reports that are due with the Commission?

17 A. Yes. We've been working on that.

18 Q. And has any of them been filed?

19 A. We filed '99's this fall.

20 Q. All right. And with respect to the status  
21 of the Commission's assessments, PSC assessments, what  
22 was the status of those whenever you received those  
23 boxes of records? Were they delinquent?

24 A. Yes. I'm trying to remember how far back.  
25 Really far.

## WATER SUPPLY AGREEMENT

This Agreement is made and entered into this 1 day of September 2002 by and between Osage Water Company, a Missouri Corporation ("OWC"), and Environmental Utilities, LLC, a Missouri Limited Liability Company ("Env. Util.").

Whereas, OWC is authorized by the Missouri Public Service Commission to provide public water utility service in an area described in its Tariff as "Eagle Woods"; and

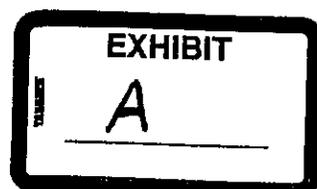
Whereas, Env. Util. is authorized by the Missouri Public Service Commission to provide public water utility service in an area described in its Tariff as "Golden Glade"; and

Whereas, OWC does not own a public drinking water supply with which to supply the needs of its customers for water utility service in with Eagle Woods; and

Whereas, Env. Util. owns a public drinking water supply in its "Golden Glade" service area and has sufficient capacity therein with which to supply the needs of OWC for water in Eagle Woods.

Now, Therefore, in consideration of the mutual covenants and agreements contained herein, the parties do hereby covenant, contract, and agree as follows:

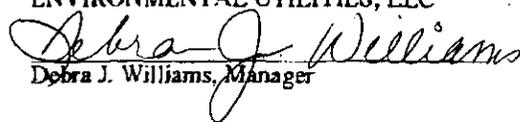
1. Osage Water Company does hereby agree to purchase water from Environmental Utilities, LLC, and Environmental Utilities, LLC does hereby agree to sell water to Osage Water Company for distribution and resale to customers of Osage Water Company located in its KK Service Area at the rate of \$44.25 per month minimum, plus metered usage greater than 2,000 gallons per month at the rate of \$3.8701 per 1,000 gallons of usage.
2. Env. Util. agrees to furnish said water on a "best efforts" basis and shall not be liable to OWC or its customers for any interruption or termination of service, other than the deliberate and intentional acts of its duly authorized agents or employees acting within the scope and course of their employment and at the direction of the Manager of Env. Util.
3. Env. Util. shall render its bills for water service to OWC at the same time and in the same manner as its bills for water service to retail customers or Env. Util. In the event that any bill for service is not paid in a timely manner in accordance with the Utility Billing Practices of the Missouri Public Service Commission, Env. Util. may discontinue the provision of water service until such time as all sums due and owing from OWC to Env. Util. are paid in full, and a deposit for one (1) month's average usage by OWC is deposited with Env. Util. In the event that any bill remains unpaid for a period longer than sixty (60) days, Env. Util. may terminate this agreement upon ten (10) days written notice to OWC.
4. Env. Util. shall notify OWC of any planned disruption of service for non-emergency repairs or otherwise at least forty-eight (48) hours in advance thereof, and of any emergency repairs as soon as possible after the disruption of service occurs. Env. Util. shall notify OWC of any boil orders required by applicable Missouri Law or Regulations with respect to said water supply immediately upon receipt of the same in the same manner as notice thereof is supplied to Env. Util.'s customers. OWC shall be responsible for all notices to OWC's customers in Eagle Woods.



5. It is contemplated under this agreement that water shall be supplied hereunder only to the Eagle Woods Service Area as that area exists on the date hereof and as described in OWC's Water Tariff in effect on the date hereof, and which is contemplated to include not more than fifty-three (53) single family homes. Any expansion of said service area by OWC or any change in the scope or plan of development therein to include more than fifty-three (53) single family homes shall require the prior consent and agreement of Env. Util. to continue to supply water to OWC, which consent may be withheld in the sole discretion of Env. Util.
6. It is contemplated under this agreement that OWC will maintain its water distribution system in good repair at all times and that water shall be supplied only for normal residential purposes to not more than fifty-three (53) homes in the Eagle Woods development. In the event that excessive water leaks or other high volume usages occur which would or could cause the inability of Env. Util. to supply water within its Golden Glade Service Area, Env. Util. may discontinue the provision of water to OWC until such time as said excessive water leaks are repaired, notwithstanding the agreement and undertaking by OWC hereunder to pay for all water taken from Env. Util., it being expressly acknowledged and agreed that Env. Util. is not required to furnish an unlimited supply of water to OWC under this agreement.
7. It is not contemplated that water will be supplied hereunder for fire protection purposes, and Env. Util. shall have no obligation as a result of this agreement to furnish water for such purposes.
8. This Agreement may be terminated by either party hereto, without cause, upon six (6) months written notice to the other.

In witness whereof the parties have set their hands the day and year first above written.

OSAGE WATER COMPANY  
  
William P. Mitchell, President

ENVIRONMENTAL UTILITIES, LLC  
  
Debra J. Williams, Manager

Missouri Public Service Commission  
General Counsel's Office  
P.O. Box 360, Suite 800  
Jefferson City, Missouri 65102



7099 3220 0009 3699 8101

1153 U.S. POSTAGE PB 22329  
1812 \$05.570 SEP 05  
5502 FROM ZIP CODE 65

MO 419-2642 (8-01)

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SEP 09 2002

COMMISSION COUNSEL  
PUBLIC SERVICE COMMISSION

*Missouri Public Service Commission*

P.O. Box 360  
Jefferson City, Missouri 65102

MO 419-1437 (8-89)

William P. Mitchell, President  
Osage Water Company  
Rt. 2, Box 3347  
Osage

*Refused  
Rt 2*

Exhibit 12

## PROMISSORY NOTE

On this 15<sup>th</sup> day of February, 2001, for value received, the undersigned promises to pay to the order of the holder hereof the sum of Five Hundred Thousand Dollars (\$500,000.00) with interest from the date hereof at the rate of Eight percent (8%) per annum, compounded monthly on the unpaid balance until paid.

Said Principal and interest shall be payable as follows:

Interest shall be due and payable in quarterly installments commencing on the 1<sup>st</sup> day of April, 2001, and on the first day of every 3<sup>rd</sup> month thereafter, until the entire principal and all accrued interest due hereunder is paid in full. Principal shall be due and payable upon demand, but if no demand is made, in equal monthly installments of \$1,000.00 each commencing on April 1, 2001, and on the first day of each month thereafter until the entire balance of principal and interest is paid in full.

In the event of default in the payment of any installment under this note, and if such default is not made good within ten (10) days of the date when such installment is due, the holder hereof may, at its option, declare the balance of the debt hereunder due and payable, with interest thereof to the date of such acceleration. Failure of the holder hereof to exercise this option shall not constitute a waiver of the right to exercise it at any other time.

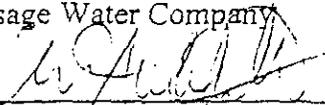
Privilege is reserved by the undersigned to pay the debt in whole, or any part thereof, at any time prior to the date due, with no prepayment penalty.

The undersigned agrees to pay all expenses of the holder in collection of this note, including a reasonable attorney's fee and other costs incurred by the holder hereof as a result of default.

This note is secured by a Deed of Trust of even date herewith on property therein described. In the event that said property is sold, transferred or conveyed, including a sale under Contract for Deed, or is leased for a term of more than three (3) years, this note shall be immediately due and payable in full.

This note contemplates that the principal balance secured hereby may be advanced in one or more installments by the holder hereof. The principal balance at the date of execution hereof is \$436,328.47.

Osage Water Company

  
\_\_\_\_\_  
William P. Mitchell, President

1 FOR THE YEAR ENDED DECEMBER 31, 19 98

PAGE 1

2 COMPANY NAME: Osage Water Company

3 COMPANY ADDRESS: Route 2, Box 3347

4 Osage Beach, MO 65065

5 COMPANY PHONE NUMBER: 573-346-3956

6 UTILITY SERVICE(S) PROVIDED: WATER SEWER (Circle areas)

NAME, ADDRESS, AND PHONE NUMBER OF PERSON(S) TO CONTACT CONCERNING INFORMATION CONTAINED IN THIS REPORT:

7 Gregory D. Williams, P.O. Box 431, Sunrise Beach,

8 MO 65079

9 573-374-8761

10 \_\_\_\_\_

11 \_\_\_\_\_

12 \_\_\_\_\_

13 \_\_\_\_\_

NAME, ADDRESS, AND PHONE NUMBER OF PERSON(S) TO CONTACT CONCERNING PLANT OPERATIONS:

14 William P. "PAT" Mitchell, Route 2, Box 3347

15 Osage Beach, MO 65065

16 573-346-3956

17 \_\_\_\_\_

18 \_\_\_\_\_

19 \_\_\_\_\_

23 \_\_\_\_\_

CERTIFICATION

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED IN AND ATTACHED TO THIS ANNUAL REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

21 DATE: 9/1/99 TITLE: President

22 SIGNATURE: Gregory D. Williams

1 is not Staff's responsibility to prove that you should  
2 have the certificate. It is the company's  
3 responsibility --

4 A. I understand.

5 Q. -- who is applying for that certificate.

6 A. I understand. I'm simply suggesting if I'm  
7 doing a good job managing Osage Water Company, to me,  
8 in my mind, the only difference is it's a different  
9 set of books, it's a different -- it's a different  
10 name. It's the same job. It's different customers,  
11 maybe a different computer, if necessary. Whatever  
12 the requirements are we're willing to do it.

13 What we're not willing to do is give a  
14 \$90,000 water system to a company that has not been  
15 successful and continue to affiliate ourselves with  
16 people who managed the company in a way that was not  
17 satisfactory to our customers or to the Commission,  
18 and that's the entire purpose of this application.

19 Q. Is to avoid having it under the name of  
20 Osage Water Company?

21 A. Or be affiliated with the people therein,  
22 yes, ma'am. It's not just the name. It's the people.  
23 We want to disassociate ourselves with people who we  
24 do not want to be affiliated with anymore.

25 Q. And what do you plan to do with the areas

## Krueger, Keith

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**From:** Meyer, David  
**Sent:** Tuesday, September 17, 2002 4:51 PM  
**To:** Joyce, Dan; Krueger, Keith  
**Cc:** Schwarz, Tim; Kizito, Victoria  
**Subject:** FW: OWC prehearing update

See the next to last paragraph. This email resulted from this morning's prehearing in the complaint case, where OWC didn't appear because the Data Center apparently sent notice to the wrong address. It is being remedied and a prehearing is being reset for the next week or two.

Ruth called and suggested she is thinking about filing something in something (yes, kind of vague, as she, like we are, is trying to work through it all) because she is under continuing and regular pressure from the disgruntled customers. Does OPC have a receiver in mind? I don't know. She has indicated that she will hold off until at least the next prehearing setting, and thought of several options, including: (1) perhaps then she and Victoria could jointly move, or independently move, or at least make the "suggestion" for the Commission to seek receivership in the complaint proceeding if and when nobody shows up to represent OWC at the next prehearing; or (2) she could file a complaint seeking a receivership in a new proceeding. I'm not sure where they will end up, but they would like to see the Commission move, though I am not sure whether that is because there is a receiver in the wings or not.

If the Commission decides to move on something less than a formal proceeding, I would hate to have had OPC file for one and slow things down. Also, at that point the GCO will, I think, find itself in a very odd position.

—Original Message—

**From:** O'Neill, Ruth  
**Sent:** Tuesday, September 17, 2002 12:24 PM  
**To:** Johansen, Dale; Kizito, Victoria  
**Cc:** Merciel, James; Hummel, Martin  
**Subject:** RE: OWC prehearing update

Here is Greg's message to me in its entirety.

Ruth

Ruth -

I believe that I am still technically the registered agent for OWC, although I have tendered my resignation. I have not received any information from Pat Mitchell indicating that he has or will be appointing anyone else to act as registered agent.

OWC's corporate charter was administratively dissolved by the Secretary of State on September 4, 2002 for failure to file an annual registration report and franchise tax return for 2002. Debbie had prepared and sent in the registration report, but did not have adequate financial information for 2001 to submit a franchise tax report. The secretary of state rejected the annual report for lack of the franchise tax report.

To my knowledge, OWC does not currently have corporate counsel. It has been unable to make even minimal payments towards outstanding legal fees for the past several years, due to appropriation of its customer base by the City of Osage Beach. In 1997, OWC had 279 customers inside the city of Osage Beach. Today, it has less than 50. In 2001 alone, OWC added approximately 50 customers in service areas outside the city, but lost more than that inside the City. In 2002 customer additions have been minimal, and OWC has lost over 50 customers inside the city limits. The significance of these numbers is that the systems inside the city were acquired at a very low investment by OWC, with much of the plant having been contributed. The Osage Beach customers represented the below average cost customers for the company. The customers outside the city have a very significant capital cost attached to each customer.

Doubling the rates in 2002 has not and will not keep up with the increasing capital costs associated with adding new customers when the customers whose systems are "already paid for" are being removed from the revenue stream.

The utility systems operations have been subsidized by my law practice since July of 2001, in that I have provided Debbie's time, which is worth approximately \$6,000 per month to me as my office paralegal (100 hours per month at \$60 per hour), I have provided office space and equipment, telephone systems, etc., and the utility business has been unable to reimburse most of those expenses, as it operated all last winter at a negative cash flow to provide rebates to customers. I am tired of paying out of my pocket so that people I don't know can have water and sewer service at a rate that is less than it costs to provide service to them.

I can't imagine how OWC under these circumstances can retain counsel to represent it, particularly given the position that you and the staff have taken that legal fees are not to be added to rate base, that no rate of return is to be paid on legal fees incurred for certificates, and the general viewpoint that somehow service must be provided at a higher level without the revenues necessary to hire the staff to provide the higher level of service.

At the present time, Pat Mitchell is the sole officer and director of Osage Water Company. He signed an Operating Agreement with Environmental Utilities in early September authorizing Env. Util. to operate OWC's systems, collect its revenues, pay operating expenses, and to apply any net income to amounts owed for past legal expenses. If you have questions about current operations, I can obtain information from Debbie, Jeff, and Kris about current operations, and relay the same to you. I will not enter an appearance in any cases, whether at the PSC or in Circuit Court, on behalf of OWC.

I trust that the foregoing is an adequate response to your inquiry about the lack of appearance on behalf of OWC at the pre-hearing conference this morning. Should you have other questions on other issues, please so advise and I will try to obtain any relevant information which is readily available.

GDW

-----Original Message-----

**From:** O'Neill, Ruth  
**Sent:** Tuesday, September 17, 2002 10:40 AM  
**To:** 'gregw@laurie.net'  
**Subject:** RE: Osage water company complaint

Greg,

The Commission held a pre-hearing conference in the Staff's complaint against Osage Water Company in case No 2003-0067 this morning (the Broadview Bay outage case.) No one from the company attended. Who is currently the registered agent for Osage Water? who is the current manager? Who is the current counsel?

Please let me know if you or Debbie can answer any of these questions for me, and let me know who we need to contact. One of the options for this complaint is mediation, if we can get to the proper person to discuss it.

Ruth O'Neill