



Martha S. Hogerty
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State of Missouri

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Governor

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November 4, 1999

FILED³

NOV 04 1999

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Missouri Public
Service Commission

RE: House Springs Sewer Company
Case No. SR-2000-302

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and fourteen copies of **Office of the Public Counsel's Response to Motion of House Springs Sewer Company, Inc. for Waiver from Requirements that it be Current in the Payment of PSC Assessments and Filing of PSC Annual Reports.** Please "file" stamp the extra enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Shannon Cook".

Shannon Cook
Assistant Public Counsel

SC:mm

Enclosure

cc: Counsel of Record

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

FILED³
NOV 04 1999

**In the Matter of House Springs Sewer Company's)
Request for Rate Increase Pursuant to the Public)
Service Commission's Small Company Rate Increase)
Procedure.)**

Missouri Public
Service Commission
Case No. SR-2000-302

**OFFICE OF THE PUBLIC COUNSEL'S RESPONSE TO MOTION OF HOUSE
SPRINGS SEWER COMPANY, INC. FOR WAIVER FROM REQUIREMENTS
THAT IT BE CURRENT IN THE PAYMENT OF PSC ASSESSMENTS AND
FILING OF PSC ANNUAL REPORTS**

COMES NOW the Office of the Public Counsel (Public Counsel) and, for its Response to Motion of House Springs Sewer Company, Inc. (Company) for Waiver from Requirements that It Be Current in the Payment of PSC Assessments and Filing of PSC Annual Reports, states as follows:

1. By letter dated September 24, 1999, Company filed with the Public Service Commission (Commission) its request for a permanent increase in its operating revenues pursuant to 4 CSR 240-2.200, the Commission's Small Company Rate Increase Procedure.

2. On or about October 6, 1999, the Commission rejected Company's filing and returned it to Company along with a letter indicating that "small companies must be current on their PSC Annual Assessments and PSC Annual Reports before a small company rate increase can be requested," as required by 4 CSR 240-2.200(1)(A).

3. In its Motion for Waiver filed on or about October 26, 1999, Company admits that its Annual Assessment payments and Annual Reports are delinquent, and seeks to convince the Commission that those requirements should be waived.

4. Public Counsel believes that the Company has failed to provide any good cause for which a variance from the Commission Rules in 4 CSR 240-2.200 is in order.

5. Further, Public Counsel submits that Company's request for a rate increase at this time is premature and inappropriate for reasons other than the fact that its Annual Assessments and Annual Reports are delinquent. First, the request itself violates the Commission's Report and Order, attached hereto, in Case No. SC-96-427. This Order approves the Stipulation and Agreement entered into by Imperial Utility Corporation (Imperial) and Company in the same case, and, beginning on page 4, reads as follows:

Staff and Public Counsel have agreed to not file any complaint regarding the rates of Imperial or HSSC [House Springs Sewer Company] until after December 31, 1999. **Imperial and HSSC have also agreed to not file any request for an increase in rates or fees until after December 31, 1999.** However, the Stipulation and Agreement...provides that any party to it may request a rate change **in the event of an occurrence that has a major effect on Imperial or HSSC, including but not limited to an Act of God or a significant change in tax laws, a significant change in federal or state laws or regulations, or a significant change in the enforcement of such laws requiring the expansion, modification, replacement or elimination of sewage treatment facilities** (emphasis added).

The request for a rate increase submitted by Company on September 24, 1999, cites neither an Act of God nor any significant change in law or regulation as contemplated by the Order which would trigger its right to pursue a rate increase under the exception clause quoted above. Company provides no good cause which would justify a rate increase in violation of the stipulated agreement.

6. Public Counsel further states that, as described in its Motion Regarding Default and Request for Sanctions filed on November 3, 1999, Company has defaulted on a Complaint filed by Public Counsel (Case No. SC-99-240) regarding its compliance with

other provisions of the Order in Case No. SC-96-427, namely, the maintenance of its books and records in accordance with acceptable accounting standards and the filing of correct tariff sheets. The Notice of Complaint shows that Ms. Patricia A. Fribis, the Court-appointed receiver of Company, was served with this Complaint through her attorney, Mr. Mark S. Rubin. **Company's Answer to the Complaint, due January 4, 1999, has never been filed, nor has the Company made any attempt to demonstrate to Public Counsel that it is abiding by the provisions referenced in the Complaint.**

7. Third, Company has failed to file a proper Application for Variance from the Rules of the Commission, as required by 4 CSR 240-2.060(11).

WHEREFORE, for the reasons set forth herein, Public Counsel requests that the Commission reject Company's Motion for Waiver from Requirements that It Be Current in the Payment of PSC Assessments and Filing of PSC Annual Reports.

Respectfully submitted,

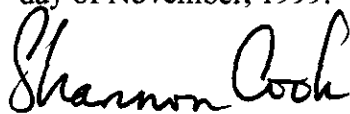
OFFICE OF THE PUBLIC COUNSEL



Shannon Cook #50169
Assistant Public Counsel
301 East High Street, P.O. Box 7800
Jefferson City, MO 65102-7800
Telephone: (573) 751-1304
Facsimile: (573) 751-5562

CERTIFICATE OF SERVICE

I hereby certify that true copies of the foregoing document have been faxed, mailed, or hand-delivered to all parties of record as shown on the attached service list this 4th day of November, 1999.



**Service List for
Case No. SR-2000-___**

General Counsel
Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

Patricia A. Fribis
House Springs Sewer Co., Inc.
3800 Jeffco Boulevard
Arnold, MO 63010

Mark S. Rubin
FRANKEL, RUBIN, BOND & DUBIN, P.C.
231 S. Bemiston Ave., Suite 1111
St. Louis, MO 63105-1914

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Office of the Public Counsel,	)	
	)	
Complainant,	)	
	)	
v.	)	<u>Case No. SC-96-427</u>
	)	
Imperial Utility Corporation,	)	
	)	
Respondent.	)	
	)	

APPEARANCES

John B. Coffman, Senior Public Counsel, and Douglas E. Micheel, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Richard W. French and William M. Shansey, French & Stewart Law Offices, 1001 Cherry Street, Suite 302, Columbia, Missouri 65201, for Imperial Utility Corporation.

William K. Haas, Senior Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGE: Thomas H. Luckenbill, Deputy Chief.

REPORT AND ORDER

Procedural History

On September 28, 1995, the Office of the Public Counsel (Public Counsel) initiated a preliminary earnings investigation of Imperial Utility Corporation (Imperial). On June 11, 1996, Public Counsel filed a Complaint against Imperial. Public Counsel claimed that Imperial's current rates produce a level of earnings that exceeds a just and reasonable amount. Public counsel claimed that Imperial

has been collecting \$173,638.00 more in annualized revenue than it should be collecting. Public Counsel further stated that Imperial is not properly maintaining its books and records under the Commission's rules. Public Counsel filed prepared direct testimony in support of its Complaint on the same day that it filed its Complaint.

On July 15, 1996, Imperial filed its Answer to the Complaint and a Motion to Dismiss the Complaint. On July 29, the Staff filed a Notice Of Intention To Participate. Staff stated that it was conducting its own audit and investigation of Imperial. On September 24, the Commission established a procedural schedule which included hearing dates from January 13 through January 17, 1997. On October 18, 1996, the Commission amended the procedural schedule, which amendment included moving the hearing dates back to February 18 through 21, 1997. On January 21, the Commission granted Staff's Motion To Compel Discovery And To Revise Procedural Schedule. At the same time the Commission continued the hearing until March 20 through 21.

On January 9, House Springs Sewer Company (HSSC) filed a letter requesting a rate increase under the Commission's small company rate increase procedure (4 CSR 240-2.200). The request was assigned File No. 9700429. Imperial and HSSC are subsidiaries of EPCO, Inc. EPCO, Inc. is owned by Mr. Eugene A. Fribis and his wife.

The parties met for another prehearing conference on February 26. The parties had another meeting on March 10, 1997, for settlement discussions. The Unanimous Stipulation And Agreement results from those discussions. On March 20, 1997, the Commission convened an on-the-record presentation of the Stipulation And Agreement. The Stipulation And Agreement and all prefiled testimony was marked and received into the record.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

Under the proposed Unanimous Stipulation And Agreement Imperial will phase in a rate reduction. The monthly rates for Single Family customers will be reduced from the current rate of \$24.50 to \$22.00 effective July 1, 1997, \$21.00 effective July 1, 1998, and \$20.00 effective July 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Single Family customers of 18.4 percent (\$20.00 compared to \$24.50). The monthly rates for Apartment customers will be reduced from the current rate of \$19.50 to \$18.80 effective July 1, 1997, \$18.40 effective July 1, 1998, and \$18.00 effective July 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Apartment customers of 7.7 percent (\$18.00 compared to \$19.50). The monthly rates for Mobile Homes customers will be reduced from the current rate of \$19.50 to \$18.80 effective July 1, 1997, \$18.40 effective July 1, 1998, and \$18.00 effective July 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Mobile Homes customers of 7.7 percent (\$18.00 compared to \$19.50). The Commercial Minimum Charge will be reduced from the current rate of \$24.50 to \$22.00 effective July 1, 1997, \$21.00 effective July 1, 1998, and \$20.00 effective July 1, 1999. This constitutes a cumulative reduction in the monthly Commercial Minimum Charge of 18.4 percent (\$20.00 compared to \$24.50).

Based upon Imperial's January 31, 1997 billing determinants, these rate reductions will reduce Imperial's revenues by \$66,751, \$27,807, and \$27,806, on an annualized basis, effective July 1, 1997, July 1, 1998, and July 1, 1999,

respectively. The cumulative annual reduction will be \$122,364 after the final reduction is implemented.

Under the proposed Unanimous Stipulation And Agreement HSSC will phase in a rate reduction. The monthly rates for Single Family customers will be reduced from the current rate of \$23.50 to \$22.00 effective August 1, 1997, \$21.00 effective August 1, 1998, and \$20.00 effective August 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Single Family customers of 14.9 percent (\$20.00 compared to \$23.50). The monthly rates for Apartment customers will be reduced from the current rate of \$18.80 to \$18.40 effective August 1, 1998, and \$18.00 effective August 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Apartment customers of 4.3 percent (\$18.00 compared to \$18.80). The monthly rates for Mobile Homes customers will be reduced from the current rate of \$18.80 to \$18.40 effective August 1, 1998, and \$18.00 effective August 1, 1999. This constitutes a cumulative reduction in the monthly rate applicable to Mobile Homes customers of 4.3 percent (\$18.00 compared to \$18.80). The Commercial Minimum Charge will be reduced from the current rate of \$23.50 to \$22.00 effective August 1, 1997, \$21.00 effective August 1, 1998, and \$20.00 effective August 1, 1999. This constitutes a cumulative reduction in the monthly Commercial Minimum Charge of 14.9 percent (\$20.00 compared to \$23.50).

Based upon HSSC's January 31, 1997 billing determinants these rate reductions will reduce HSSC's annual revenues by \$5,796, \$6,830, and \$6,831, on an annualized basis, effective August 1, 1997, August 1, 1998, and August 1, 1999, respectively. The cumulative annual reduction will be \$19,457 after the final reduction is implemented.

Staff and Public Counsel have agreed to not file any complaint regarding the rates of Imperial or HSSC until after December 31, 1999. Imperial and HSSC

have also agreed to not file any request for an increase in rates or fees until after December 31, 1999. However, the Stipulation And Agreement provides an exception to the parties' agreement to not cause a change in rates prior to December 31, 1999. The Stipulation And Agreement provides that any party to it may request a rate change in the event of an occurrence that has a major effect on Imperial or HSSC, including but not limited to an Act of God or a significant change in tax laws, a significant change in federal or state laws or regulations, or a significant change in the enforcement of such laws or regulations requiring the expansion, modification, replacement or elimination of sewage treatment facilities.

Imperial and HSSC agree that all contributions in aid of construction collected after the approval of the Stipulation And Agreement will be applied to fund current construction projects or will be applied to principal and interest payments associated with the current outstanding loan from First Bank. Staff and Public Counsel will conduct annual audits of Imperial and HSSC to verify compliance with these agreements.

Imperial has agreed to complete certain improvements on the Spanish Manor and Rock Creek treatment facilities by December 31, 1998 and to complete certain improvements to the Rhonda Sue treatment facility by December 31, 1999. Imperial has agreed to contribute \$50,000 per year for each of the years 1997, 1998, and 1999 toward the construction costs of these sewer treatment projects. Each annual contribution shall be recorded as a contribution in aid of construction and shall be maintained as such on Imperial's books.

Imperial and HSSC have agreed to implement certain accounting standards as set out in an attachment to the Stipulation And Agreement. The Stipulation And Agreement is attached to this Report And Order and marked as Attachment A. Imperial and HSSC have agreed to submit monthly surveillance reports on a

quarterly basis to the manager of the Commission's Financial Analysis Department and to Public Counsel.

The Commission finds that the proposed Stipulation And Agreement promotes the Commission's obligation to ensure just and reasonable rates and that the Stipulation And Agreement should be approved. **See** Section 393.130.¹ The proposed Stipulation And Agreement requires a phase-in of significant rate reductions over a three-year period. The agreed-upon rate reductions reflect a reasonable solution based upon the positions of the Staff and the Public Counsel as reflected in their prefiled testimony.

The tariff sheets to be filed by Imperial and HSSC to implement the 1997 rate reductions shall be made in this docket and processed as tariff sheets filed in compliance with this Report And Order.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The parties have waived their respective rights to cross-examine witnesses and to present oral argument and written briefs under Section 536.080.1 and their respective rights to judicial review under 386.510. Where the parties have waived their right to cross-examine witnesses the Commission may use the verified statements of witnesses as a basis to approve the proposed Stipulation And Agreement. **State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Comm'n**, 776 S.W.2d 494, 496 (Mo. App. 1989). The Commission may accept the Stipulation And Agreement to resolve this matter. **See** 536.060.

¹ All statutory references are to Revised Statutes of Missouri 1994.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement filed by the Office of the Public Counsel, the Staff of the Missouri Public Service Commission, Imperial Utility Corporation, and House Springs Sewer Company on March 14, 1997 is hereby approved (Attachment A).

2. That Imperial Utility Corporation shall file tariff sheets to implement the 1997 rate reduction as agreed upon in the Stipulation And Agreement.

3. That House Springs Sewer Company shall file tariff sheets to implement the 1997 rate reduction as agreed upon in the Stipulation And Agreement.

4. That this Report And Order shall become effective on April 15, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Zobrist, Chm., McClure,
Crumpton and Drainer, CC.,
concur.

Dated at Jefferson City, Missouri,
on this 4th day of April, 1997.

FILED
MAR 14 1997
MISSOURI
PUBLIC SERVICE COMMISSION

Case No. SC-96-427

Case No. SR-97-_____
(File No. 9700429)

COME NOW the Office of the Public Counsel, Staff of the Public Service Commission, Imperial Utility Corporation, and House Springs Sewer Company ("HSSC"), by their respective counsel, and submit to the Missouri Public Service Commission ("Commission"), for its consideration and approval, this Unanimous Stipulation and Agreement in settlement of the above-styled cases.

1. On September 28, 1995, the Office of the Public Counsel ("Public Counsel") initiated a preliminary earnings investigation of Imperial Utility Corporation ("Imperial"). On June 11, 1996, Public Counsel filed a Complaint, claiming that Imperial's current rates produce a level of earnings that exceeds a just and reasonable amount by \$173,638.00, and further stating that Imperial is not properly maintaining its books and records pursuant to the Commission's rules. Concurrent with its Complaint, Public Counsel filed prepared direct testimony in support of its Complaint. On July 15, 1996, Imperial filed its Answer to Complaint and Motion to Dismiss.

On July 29, 1996, the Staff of the Commission ("Staff") filed its Notice of Intention to Participate stating that it was conducting its own audit and investigation of Imperial. On September 11, 1996, the parties met for a prehearing conference. On September 24, 1996, the Commission established a procedural schedule, including a hearing for the dates of January 13 through 17, 1997. On October 18, 1996, the Commission amended the procedural schedule, moving back the evidentiary hearings to February 18 through 21, 1997. On or about November 22, 1996, Imperial and Staff filed prepared rebuttal testimony. Staff's rebuttal testimony claimed that Imperial is overearning by \$226,326 on an annual basis. On January 21, 1997, the Commission granted Staff's Motion to Compel Discovery and to Revise Procedural Schedule, requiring Imperial to answer certain of Staff's data requests, and extending the procedural schedule further, including a hearing for March 20 through 21, 1997. On February 18, 1997, Public Counsel, Staff, and Imperial filed prepared surrebuttal testimony.

On February 26, 1997, the parties met for another prehearing conference, and met again on March 10, 1997, for settlement discussions. This Unanimous Stipulation and Agreement is the fruit of those discussions.

On January 9, 1997, House Springs Sewer Company ("HSSC") filed a letter requesting a rate increase pursuant to the Commission's Small Company Rate Increase Procedure (4 CSR 240-2.200). The request was assigned File No. 9700429. Both Imperial and HSSC are subsidiaries of EPCO, Inc., which is owned by Mr. Eugene A. Fribis and his wife.

AGREEMENTS

2. Imperial agrees to file tariffs that would phase-in a rate reduction in three steps, resulting in the following rates on the following dates:

	Current	7/1/97	7/1/98	7/1/99	Total Percentage Reduction
Single Family	\$24.50	\$22.00	\$21.00	\$20.00	18.4%
Apartments	\$19.50	\$18.80	\$18.40	\$18.00	7.7%
Mobile Homes	\$19.50	\$18.80	\$18.40	\$18.00	7.7%
Commercial Minimum Charge	\$24.50	\$22.00	\$21.00	\$20.00	18.4%

Based upon Imperial's billing determinants at January 31, 1997, these rate decreases will reduce Imperial's annual revenues by the following amounts for the years beginning on each of the following dates:

<u>July 1, 1997</u>	<u>July 1, 1998</u>	<u>July 1, 1999</u>
\$66,751.00	\$27,807.00	\$27,806.00

The cumulative annual revenue reduction will be \$122,364.00.

3. HSSC hereby agrees to withdraw its informal rate increase request (File No. 9700429) and agrees to file tariffs that would phase-in a rate reduction in three steps, resulting in the following rates on the following dates:

	Current	7/1/97	7/1/98	7/1/99	Total Percentage Reduction
Single Family	\$23.50	\$22.00	\$21.00	\$20.00	14.9%
Apartments	\$18.80	\$18.80	\$18.40	\$18.00	4.3%
Mobile Homes	\$18.80	\$18.80	\$18.40	\$18.00	4.3%
Commercial Minimum Charge	\$23.50	\$22.00	\$21.00	\$20.00	14.9%

Based upon HSSC's billing determinants at January 31, 1997, these rate decreases will reduce HSSC's annual revenues by the following amounts for the years beginning on each of the following dates:

<u>August 1, 1997</u>	<u>August 1, 1998</u>	<u>August 1, 1999</u>
\$5,796.00	\$6,830.00	\$6,831.00

The cumulative annual revenue reduction will be \$19,457.00.

4. The parties agree that Imperial and HSSC will be treated as one entity for purposes of this Stipulation and Agreement and for purposes of their next rate case.

5. The parties agree that the respective commodity rates that are currently in effect for commercial customers of Imperial and HSSC shall remain unchanged until new rates are established pursuant to Commission Order in a future rate case.

6. The parties hereby agree that, with the exception of the preceding paragraph, HSSC should be allowed to file new tariffs that match Imperial's current tariff provisions and fees.

7. Staff and Public Counsel hereby agree not to file any complaint regarding the rates of Imperial or HSSC until after December 31, 1999. Likewise, Imperial and HSSC hereby agree not to file any requests for a increase in its rates or fees until after December 31, 1999.

Notwithstanding the foregoing, any party to this Stipulation and Agreement may request a rate change provided an event occurs which has a major effect on Imperial or HSSC, including but not limited to an Act of God or a significant change in tax laws, a significant change in federal or state laws or regulations, or a significant change in the enforcement of such laws or regulations which requires the expansion, modification, replacement or elimination of sewage treatment facilities.

8. Imperial and HSSC hereby agree that all contributions in aid of construction that are collected after the date that this Stipulation and Agreement is approved will be applied to fund current construction projects or will be applied to principal and interest payments associated with the currently outstanding loan from First Bank. Staff and Public Counsel will conduct annual audits of Imperial and HSSC to verify compliance with these agreements.

9. Imperial hereby agrees to complete construction on the following three projects to eliminate these existing sewer treatment facilities on the following dates:

- a) RHONDA SUE -- construction of a gravity sewer to 12/31/99
connect the collection system of Rhonda Sue to the Country Club sewage treatment facility, allowing for closure of the Rhonda Sue lagoon. Alternatively, if Imperial obtains official written approval from the Missouri Department of Natural Resources ("DNR") by December 31, 1997, for an alternative method to bring Rhonda Sue into compliance with DNR regulations, that alternative's completion and implementation will occur by December 31, 1999.
- b) SPANISH MANOR -- construction of a gravity sewer, 12/31/98
lift station, and force main to connect the Spanish Manor Mobile Home Park to the Country Club sewage treatment facility, allowing for removal of the existing Spanish Manor treatment plant.
- c) ROCK CREEK -- construction of a gravity sewer to 12/31/98
connect Rock Creek Estates to the proposed Spanish Manor sewer project, allowing for removal of the existing Rock Creek treatment plant.

10. Imperial hereby agrees to contribute \$50,000.00 per year for three years (1997, 1998, 1999) toward the construction costs of the sewer treatment projects described in the preceding paragraph. If Imperial does not spend \$50,000 on these projects in 1997, Imperial shall complete 1997's contribution in 1998, in addition to making 1998's contribution. Each annual

\$50,000.00 contribution shall be recorded as a contribution in aid of construction and shall be maintained as such on Imperial's books and records.

11. Imperial and HSSC hereby agree to implement the accounting standards and procedures as recommended by Public Counsel on Attachment 1 to this Stipulation and Agreement.

12. The parties agree that no sanctions will be brought against Imperial for its failure to obtain prior Commission approval on the First Bank loan. The Staff and Public Counsel have not acquiesced to any ratemaking theory regarding this loan. The Staff and Public Counsel do not waive the right to seek sanctions against Imperial for its failure to obtain prior Commission approval on future loans.

13. Imperial and HSSC agree to submit monthly surveillance reports on a quarterly basis to the manager of the Commission's Financial Analysis Department and to Public Counsel.

14. The parties to this Stipulation and Agreement agree that the prefiled prepared testimony submitted by Imperial, Staff, and Public Counsel may be received into evidence without the necessity of their respective witnesses taking the stand.

15. This Stipulation and Agreement represents a negotiated settlement for the sole purpose of disposing of this case. None of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in any other proceeding, except as otherwise specified herein.

16. None of the signatories shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement, except to the extent specified herein.

17. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement, in total, this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

18. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses and to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994, their respective right to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994, and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994.

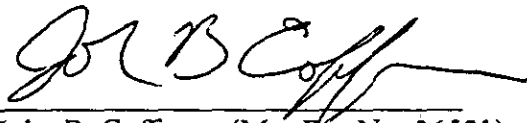
19. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

20. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

21. The Staff shall have the right to file suggestions or prepared testimony in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or prepared testimony.

WHEREFORE, the signatories respectfully request that the Commission issue an order approving this Stipulation and Agreement.

Respectfully submitted:



John B. Coffman (Mo. Bar No. 36591)
Senior Public Counsel
P. O. Box 7800
Jefferson City, MO 65102
Telephone: (573) 751-5565
Fax: (573) 751-5562

**ATTORNEY FOR THE OFFICE
OF THE PUBLIC COUNSEL**

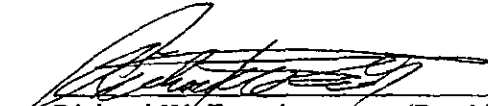


William K. Haas (Mo. Bar No. 28701)
Senior Counsel
P. O. Box 360
Jefferson City, MO 65102
Telephone: (573) 751-7510
Fax: (573) 751-9285

**ATTORNEY FOR THE STAFF OF THE
MISSOURI PUBLIC SERVICE
COMMISSION**


Richard W. French (Bar No. 27356)
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Fax: (573) 499-0638

**ATTORNEY FOR IMPERIAL UTILITY
CORPORATION**


Richard W. French (Bar No. 27356)
French & Stewart Law Offices
1001 Cherry Street, Suite 302
Columbia, MO 65201-7931
Telephone: (573) 499-0635
Fax: (573) 499-0638

**ATTORNEY FOR HOUSE SPRINGS
SEWER COMPANY**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been mailed or hand-delivered to the following counsel of record on this 14th day of March, 1997:

William K. Haas
Senior Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Richard W. French
French & Stewart Law Offices
1001 Cherry Street, Suite 302
Columbia, MO 65201-7931



6. Companies will record the accumulated depreciation reserve associated with the MPSC original cost plant balances on their balance sheet.
18. Companies will develop, document, and utilize a system to track, charge, and record personal use of company owned vehicles and equipment by employees, and owners.
20. Companies should not be incurring expenses for purchases of personal items by employees or owners. Companies will develop, document, and utilize a system to ensure that such purchases do not occur.
21. Companies will develop, document, and utilize a system to ensure that loans to employees and owners are documented and properly recorded in the companies financial records.

III. Implement on or before December 31, 1997

16. Companies will develop, document, and utilize a cost allocation system based on reasonable standards to distribute shared or common costs among Mr. Fribis' various companies.

IV. Implement on or before March 31, 1998

13. Companies will develop, document, and utilize a capitalization process system to capture and record administrative expenses (e.g., payroll, employee benefits, office expenses, etc.) that require capitalization.
14. Companies will develop, document, and utilize a continuing property records system to control and monitor all plant and properties.
15. Companies will develop, document, and utilize a job order cost system to track all costs, including but not limited to, outside contractors charges, costs financed by contributions, and IUC's internal costs, for every capital project. This recommendation inherently includes the premise that IUC should develop criteria (threshold dollar levels and/or qualitative job standards) in accordance with the Uniform System of Accounts to determine whether a cost is to be recorded as an expense item or whether it requires capitalization.

V. Implement on or before June 30 1998

8. Companies will develop, document, and utilize a uniform system of accruals (i.e., standard journal entries) to record federal and state taxes, (i.e., income, payroll withholding, unemployment, etc.).

**ACCOUNTING SYSTEM RECOMMENDATIONS
IMPLEMENTATION SCHEDULE
FOR
IMPERIAL UTILITY CORPORATION
AND
HOUSE SPRINGS SEWER COMPANY**

Item

I. Implement Immediately

3. Companies will set up and utilize a separate customer advances general ledger account.
4. Companies will set up and utilize a separate contributions in aid of construction (CIAC) general ledger account.
7. Companies will set up and utilize a separate plant held for future use (PHFU) general ledger account.
9. Companies will set up and utilize separate revenue and expense general ledger accounts to record uncollectible accounts write-offs and recoveries.
10. Companies will utilize the income sewer billing general ledger account to record only revenues directly related to sewer billings.
11. Companies will set up and utilize separate revenue general ledger sub-accounts within the income sewer billing account for each class of sewer customer.
12. Companies will set up and utilize a separate revenue general ledger account to record miscellaneous or other revenues.
17. Companies will set up and utilize separate expense general ledger sub-accounts to track and record the individual insurance expenses and employee benefits incurred by IUC, (i.e., principle disability insurance, workman's compensation insurance, group medical insurance, life insurance, property (liability/auto) insurance, and the employees 401k benefit plan).
19. Companies will record each journal entry entered into the financial records with a full description of the service received and the name of the service provider, invoice number, payment check number, and amount. If an item is an allocation of expenses or payment of expenses by an entity other than the utility include a descriptive notation identifying as such.

II. Implement on or before September 30, 1997

1. Companies will adjust their recorded MPSC accumulated depreciation reserve to correct balances.
2. Companies will adjust their recorded tax accumulated depreciation reserve to correct balances.
5. Companies will record the plant on their balance sheet at original cost based on MPSC approved USOA guidelines.