

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

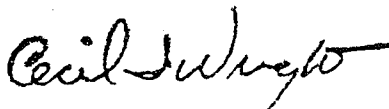
June 19, 1997

CASE NO: WM-96-454

Liza S. Forshaw, Thompson Coburn, One Mercantile Center, Suite 3400, St. Louis, MO 63101-1693
John B. Coffman, Senior Public Counsel, Office of Public Counsel, P.O. Box 7800,
Jefferson City, MO 65102

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

Sincerely,



Cecil I. Wright
Executive Secretary

Uncertified Copy:

Robert V. Kerber, President, Village Water & Sewer Company, 10829 Olive Blvd., Suite 202,
St. Louis, MO 63141

CM
RO
BV

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of June, 1997.

In the matter of the Application of)
Village Water and Sewer Company, Inc.,)
for permission, approval and authorization)
to transfer the assets of the community)
water system it currently owns, manages)
and maintains for the public, located in an) Case No. WM-96-454
unincorporated area in Johnson County,)
Missouri to Public Water Supply District)
Number 3, a political subdivision of the)
State of Missouri.)

ORDER APPROVING STIPULATION AND AGREEMENT

On June 28, 1996 Village Water and Sewer Company, Inc. (Village Water) filed an Application with the Commission for approval and authorization to transfer the assets of its water service system to Public Water Supply District Number 3 of Johnson County, Missouri (the District). Village Water is located in Johnson County, near the City of Knob Noster, and is engaged in the provision of water service to a subdivision of approximately 600 residents. Village Water alleges it has lost revenue for the past five years and desires to transfer the system to the nearby District rather than continue to bear the operating loss.

On October 24 a public hearing was held in this matter. Subsequently, the Staff of the Commission (Staff) and the Office of the Public Counsel (OPC) filed a motion to suspend the procedural schedule in order to further settlement negotiations. The Commission suspended the procedural schedule on May 7, 1997. On May 13 the parties filed a Unanimous Stipulation and Agreement, which was submitted to the Commission for approval.

Stipulation and Agreement

The Stipulation and Agreement, appended to this order as Attachment A, provides that the Commission will approve the transfer of assets in accordance with the terms and conditions of the contract between Village Water and the District, appended to the Stipulation and Agreement as Appendix I. In addition, prior to closing the transaction, canceling of Village Water's certificate, and transferring service from Village Water to the District, the District will be required to construct and install a new water main to serve the customers of Village Water.

Finally, to reduce rate shock the District has agreed to phase in rates over a five-year period beginning with the closing date of the transaction, as established in Appendix II to the Stipulation and Agreement.

The stipulation is supported by the testimony of Mr. James M. Merciel of the Water Department Staff. The parties have agreed that the testimony will be entered into evidence without objection and with waiver of cross-examination should the Commission approve the instant stipulation.

The testimony of Mr. Merciel, together with the on-the-record testimony received at the public hearing in this case, reveals that the subdivision development served by Village Water consists of approximately 110 customers, comprising about 600 residents. Unfortunately, the subdivision developer has subsidized the water system for the five years it has been in operation, and such subsidization has kept the rates of the system's customers artificially low. While no service complaints were noted, if the subdivision experiences any additional growth, significant new investment will be required to provide adequate service. To alleviate the anticipated service concerns and avoid additional substantial capital

outlay for improvements, the developer proposes to transfer the system to an entity engaged in operating a public water company. The District appears to be the only feasible entity able and willing to serve the Village Water customers.

The District is a political subdivision of the State of Missouri, and is owned and operated by a board elected by the customers of the District. The District is not regulated by this Commission. Because the District is a rural system, its rates are significantly higher than the current rates of Village Water. In order for this agreement to be in the public interest, a gradual phase-in of rates by the District is a necessity.

An alternative to the District taking over the Village Water system and phasing in rate increases over five years, is that Village Water could file a series of applications proposing rate increases. Staff anticipates that the applications by Village Water would result in rate increases over the next five years that would be close to the rates which the District would institute under the stipulation.

Balancing these interests, the Commission finds that, for the slightly higher eventual rate, the customers of Village Water will be more capably and efficiently served in the long run by the District. Therefore, the Commission finds no detriment to the public interest as a result of this proposed transfer. The Commission will approve the Stipulation and Agreement, relying upon the unanimous recommendation of the parties.

IT IS THEREFORE ORDERED:

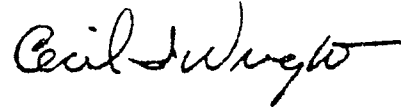
1. That the Unanimous Stipulation and Agreement, filed May 13, 1997 by the parties and incorporated in this order as Attachment A, is hereby approved.

2. That Village Water and Sewer Company, Inc. is authorized to transfer its assets as set out and by the terms and conditions contained in the Stipulation and Agreement, Attachment A, and the appendices thereto.

3. That, in accordance with the terms of the Stipulation and Agreement, Village Water and Sewer Company, Inc.'s current certificate of convenience and necessity will remain in effect until the Staff files notice to the Commission in this docket that Public Water Supply District Number 3 of Johnson County has complied with the stipulation, has constructed the agreed-upon water main and is prepared to serve the customers of Village Water and Sewer Company, Inc. At that time the Commission will entertain a recommendation to cancel the current certificate.

4. That this order shall become effective on July 1, 1997.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Cecil I. Wright", written in a cursive style.

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Crumpton, Drainer,
and Lumpe, CC., Concur.
Murray, C., Dissents.

ALJ: Derque

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

MAY 13 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the Matter of the)
Application of Village Water)
and Sewer Company, Inc., for)
permission, approval and)
authorization to transfer the)
assets of the community water)
system it currently owns,)
manages and maintains for the)
public, located in an)
unincorporated area in)
Johnson County, Missouri to)
Public Water Supply District)
Number 3, a political)
subdivision of the State of)
Missouri.)

Case No. WM-96-454

UNANIMOUS STIPULATION AND AGREEMENT

I. PROCEDURAL HISTORY

1. This docket was initiated on June 6, 1996, when Village Water & Sewer (Village Water or Applicant) filed its Application pursuant to § 393.190 RSMo. 1994, seeking permission, approval and authorization to transfer the assets of the community water system it currently owns, manages, and maintains for the public located in an unincorporated area in Johnson County, Missouri to Public Water Supply District Number 3, a political subdivision of the state of Missouri (Application).

MAY 13 1997

3.

On July 1, 1996, the Administrative Law Judge assigned to this case contacted Village Water regarding certain irregularities concerning the form of the Application. On July 3, 1996, Village Water filed an amended page 3 to the Application which rendered the Application complete.

On July 9, 1996, the Commission issued its Order and Notice directing that applications to intervene be filed on or before August 7, 1996. No applications to intervene were filed, but the Commission received numerous letters in opposition to Village Water's Application.

Due to the large volume of customer complaints, the Commission issued its Order Scheduling Public Hearing on September 25, 1996 and ordered that a public hearing be scheduled for 7:00 p.m. on October 24, 1996 at the Knob Noster City Hall, 218 North State Street, Knob Noster, Missouri. A public hearing was held as ordered by the Commission.

On November 25, 1996, the Staff filed its recommendation in this docket. The Staff recommended that the Commission approve the proposed sale and that the Application be approved, but noted that Village Water's customers would experience a significant rate increase if the proposed sale took place. The Staff noted, however, that the increase was not really excessive, because

information filed by Village Water in its annual reports to the Commission indicated that a large rate increase could be justified if Village Water remained in business.

On November 27, 1996, the Office of the Public Counsel (Public Counsel) filed its Motion to Deny Application. Village Water filed its Response to Motion to Deny Application on December 11, 1996.

On December 20, 1996, the Commission issued its Order Establishing Procedural Schedule in which it adopted the following procedural schedule:

Direct Testimony of Applicant	January 31, 1997 3:00 p.m.
Rebuttal Testimony - Staff and OPC	March 14, 1997 3:00 p.m.
Prehearing Conference	March 21, 1997 10:00 a.m.
Surrebuttal Testimony - Applicant	April 1, 1997 3:00 p.m.
Surrebuttal Testimony - Staff and OPC	April 14, 1997 3:00 p.m.
Hearing Memorandum	May 5, 1997 3:00 p.m.
Hearing	May 12, 1997 10:00 a.m.

In compliance with the Commission's December 20, 1996 Order Village Water filed its direct testimony on January 29, 1997, and

the Staff and Public Counsel filed their rebuttal testimony on March 12 and 14, 1997, respectively.

On March 27, 1997, the Staff and Public Counsel filed a Motion to Amend Procedural Schedule requesting that Village Water have until April 21, 1997, to file its surrebuttal testimony. The Commission issued its Notice Modifying Procedural Schedule on March 28, 1997. In compliance with the amended procedural schedule, Village Water filed surrebuttal testimony on April 21, 1997.

On May 5, 1997, the Staff filed its Motion to Stay Procedural Schedule Pending Filing of Joint Stipulation and Agreement.

II. STIPULATIONS AND AGREEMENTS

As a result of numerous discussions and meetings among the parties, the signatories hereto stipulate and agree as follows:

1. Village Water is a Missouri corporation dully organized and existing under the laws of the State of Missouri with its principal office and place of business located at 10829 Olive Blvd, Suite 202, St. Louis, Missouri 63141. Village Water is a duly authorized water corporation which supplies water to its Missouri customers as those terms are defined in § 386.020 RSMo 1994, and as such it is subject to the jurisdiction of the Commission.

2. Village Water's Application to transfer its water system assets to Public Water Supply District Number 3 of Johnson County.

(District), and cancel its Certificate of Convenience and Necessity (Certificate) for the provision of water service was appropriately filed pursuant to § 393.190 RSMo 1986 (sic) now § 393.190 RSMo 1994 and 4 CSR 240-2.060(5).

3. The District is a political subdivision of the state of Missouri and currently supplies water to approximately six hundred residents in the same vicinity as Village Water.

4. The Signatories recommend that the Commission authorize Village Water to transfer its water system assets to the District, and cancel its Certificate for the provision of water service as set forth in the Application attached hereto as Appendix I.

5. In the event the Commission approves the Application, the District will immediately begin construction of the new water main that will serve the current customers of Village Water (Village Water Customers). Once this water main is complete the District will close on Village Water's assets and begin serving Village Water Customers. On the date closing occurs, Village Water will file with the Commission notice of the closing and a request that its Certificate and tariff related to its provision of water service be canceled. Until this notice and request are filed and a Commission order approving the request becomes effective, Village

Water will continue to operate and provide service as a Commission regulated water utility.

6. Further, if the Application is approved, and closing occurs, the rates charged to Village Water Customers will not immediately be increased to mirror the rates paid by the District's customers. To reduce the rate shock to Village Water Customers, the District's rates will be phased-in over a five year period beginning with the date closing occurs in accordance with the scale attached hereto as Appendix II.

7. The Signatories to this Unanimous Stipulation and Agreement shall not be prejudiced or bound in any manner by the terms of this Unanimous Stipulation and Agreement in this or in any other proceeding, except as otherwise expressly specified herein.

8. This Unanimous Stipulation and Agreement has resulted from negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Unanimous Stipulation and Agreement in total, this Unanimous Stipulation and Agreement shall be void and no signatory shall be bound by, prejudiced or in any way affected by any of the agreements or provisions hereof: (a) in this proceeding; (b) in any future proceeding; or (c) in any proceeding currently pending under a separate docket; except that, notwithstanding the rejection of -

this Stipulation and Agreement by the Commission, the parties agree that, within ten (10) business days of the effective date of an order which does not approve this Unanimous Stipulation and Agreement in total, they will confer and attempt to jointly file another stipulation or a recommended procedural schedule for the litigation of the remaining issues within ten business days thereafter. If they cannot reach agreement on a procedural schedule, each party may file its own recommendation.

9. In the event the Commission adopts this Unanimous Stipulation and Agreement in total, the signatories shall not be prejudiced, bound by or in any way affected by the terms of this Unanimous Stipulation and Agreement: (a) in any future administrative proceeding; or (b) in any administrative proceeding currently pending under a separate docket, or both, except as otherwise expressly specified herein.

10. In the event the Commission accepts the specific terms of this Unanimous Stipulation and Agreement, the signatories waive, with respect to Case No. WM-96-454: (a) their respective rights pursuant to § 536.080.1 RSMo 1994, to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; (b) their respective rights to the reading of the transcript by the Commission pursuant to § 536.080.2 RSMo 1994; and (c) their

respective rights to judicial review pursuant to § 386.510 RSMo 1994.

11. The prepared testimony of Staff witness, Mr. James M. Merciel, will be filed in support of the Unanimous Stipulation and Agreement. If neither Village Water nor the Public Counsel file a document within five (5) business days of receipt of such testimony containing rebuttal testimony or requesting the opportunity to cross examine Mr. Merciel, the prepared testimony shall be received into evidence without objection. The prefiled testimony of all parties will be admitted into evidence without objection.

12. The Staff shall also have the right to provide, at any agenda meeting at which this Unanimous 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 the protective order issued in this case. Additionally, Staff will verbally notify the other parties of any date(s) this Unanimous.

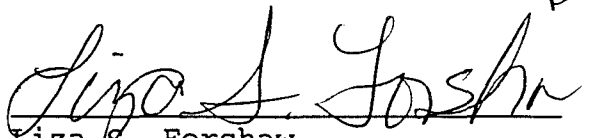
Stipulation and Agreement is scheduled for discussion at an agenda meeting as soon as the Staff becomes aware of such.

13. To the extent that the Commission believes that an on-the-record formal presentation of this Unanimous Stipulation and Agreement is necessary, the parties agree to make themselves available at the Commission's convenience to answer any questions the Commission might have during the formal hearing scheduled in this docket or any agenda meeting.

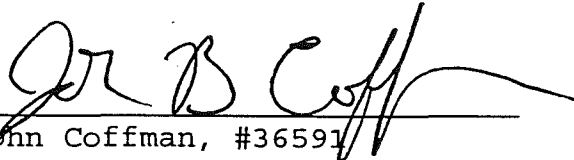
WHEREFORE, the signatories respectfully request that the Commission issue its Order approving the terms of this Unanimous Stipulation and Agreement.

Respectfully submitted,


Cherlyn D. McGowan, #42044
Assistant General Counsel
Missouri Public Service
Commission
Jefferson City, Missouri 65102
573-751-3966
573-751-9285 (Fax)


Liza S. Forshaw
One Mercantile Center
Suite 3400
St. Louis, MO 63101
314-552-6000
by CDM

ATTORNEY FOR THE STAFF OF
THE MISSOURI PUBLIC SERVICE
COMMISSION


John Coffman, #36591
Senior Public Counsel
The Office of the Public
Counsel
P. O. Box 7800
Jefferson City, MO 65102
573-751-5560
573-751-5562 (Fax)

ATTORNEY FOR THE OFFICE OF
THE PUBLIC COUNSEL

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 13th day of May, 1997.



Service List

Case No. WM-96-454

Revised: May 12, 1997

Liza S. Forshaw

One Mercantile Center, Suite 3400

St. Louis, MO 63101

The Office of the Public Counsel

P. O. Box 7800

Jefferson City, MO 65102

Joe



Commissioners

KARL ZOBRIST
Chair

KENNETH McCLURE

HAROLD CRUMPTON

M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
573-526-5695 (TT)

CECIL I. WRIGHT
Executive Secretary

SAM GOLDAMMER
Director, Utility Operations

GORDON L. PERSINGER
Director, Policy & Planning

KENNETH J. RADEMAN
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Chief Administrative Law Judge

DAN JOYCE
General Counsel

May 13, 1997

FILED

MAY 13 1997

MISSOURI
PUBLIC SERVICE COMMISSION

Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. WM-96-454 In the Matter of the Application of Village Water and Sewer Company

Dear Mr. Wright:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of **Appendix I and II** which were inadvertently not attached to the stipulation and agreement filed earlier today.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "DMG", is written over a faint, larger signature.

Cherlyn D. McGowan
Assistant General Counsel
573-751-3966
573-751-9285 (Fax)

CDM/clw

Enclosure

cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

06 AG
FILED

JUN 28 1996

In the matter of the application of Village
Water and Sewer Company, Inc., for
permission, approval and authorization
to transfer the assets of the community
water system it currently owns, manages
and maintains for the public, located in an
unincorporated area in Johnson County,
Missouri to Public Water Supply District
Number 3, a Political Subdivision of the
State of Missouri)

MISSOURI
PUBLIC SERVICE COMMISSION

Case No. WM-96454

APPLICATION

COMES NOW, Village Water and Sewer Company, Inc. (Applicant), pursuant to Section
393.190 R.S. MO 1986, and states as follows:

1. Applicant is a Missouri corporation duly organized and existing under the laws of
the State of Missouri with its principal office and place of business located at 10829 Olive Blvd., Suite
202, St. Louis, Missouri 63141. It is a public utility proposing to transfer its community water assets,
under jurisdiction of the Commission, to the Public Water Supply District Number 3, a Political Subdivision
of the State of Missouri, currently supplying water to approximately 600 residences in the vicinity. A
copy of Applicants Certificate of Corporate Good Standing is attached to this Application as Exhibit 1.

2. Communications in regard to this Application should be addressed to:

Mr. Robert V. Kerber, President
Village Water and Sewer Company
10829 Olive Blvd., Suite 202
St. Louis, Missouri 63141
(314)569-0034

Liza S. Forshaw, Esq.
Thompson Coburn
One Mercantile Center, Ste. 3400
St. Louis, Missouri 63101
(314)552-6000

3. Applicant requests permission, approval and authorization to transfer the assets
of the community water system it currently owns, manages and maintains for the public, located in an
unincorporated area in Johnson County, Missouri, as set forth on the map attached to this Application as
Exhibit 2, and legally described by metes and bounds attached to this Application as Exhibit 3 to the
Public Water Supply District Number 3, a Political Subdivision of the State of Missouri. This includes all
water utility plant land, structure, well, supply mains, pumping equipment, water treatment equipment,
distribution reservoir, transmission and distribution mains, services, meters and communication equipment.
This transfer is also to include any franchises, permits, operating rights or certificates of convenience and
necessity and all easements.

4. A copy of the Agreement between the parties is attached as Exhibit 4.

5. A verification by the oath of the President of Village Water and Sewer Company,
Inc. that he has the proper authority to sign this Application to transfer the assets of the community water

system currently owned and operated by said company is attached as Exhibit 5.

6. Village Water and Sewer Company, Inc., has been in operation since 1991. It has operated at a deficit each year and has not been able to make any interest payments on its debt. The developer has advanced operating funds each year. The current water delivery system is a hydropneumatic system and the maximum number of customers allowable under this type of system is 100. The 100 customer level will be reached within approximately one year. At this time, a significant amount of capital improvements would have to be made to the existing facilities in order to accommodate the population growth in the immediate area. A study was done in November of 1994 with recommendations totaling over \$500,000. This amount includes another well, pump, well station with treatment facility, detention main, generator, chemical feed system and 100,000 gallon stand pipe. The public interest would best be served by allowing Public Water Supply District Number 3, a Political Subdivision of the State of Missouri, to extend their water lines to service the area currently served by Village Water and Sewer Company, Inc. The District has been in operation eleven years and currently serves approximately 600 customers. A description of their facilities is attached as Exhibit 6. The Water District has the ability to serve the area with their existing facilities without a large amount of capital improvements. If this application is approved, the current customers served by Village Water and Sewer Company, Inc., would receive a substantial increase in rates. A copy of Public Water Supply District Number 3 WATER RATES is attached as Exhibit 7. A copy of Village Water and Sewer Company, Inc. WATER RATES is attached as Exhibit 8. An increase in rates is needed and justified without regard to this application. However, if this Application is approved, the community water system in the area would be on a sound financial footing and would be maintained and operated by experienced personnel. In addition to the customers currently being served, many potential customers along the extended water line would have the opportunity to tap into the water line. This would help many home owners in rural Johnson County.

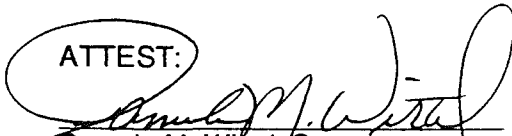
7. As previously stated, the entire area is located in an unincorporated area of Johnson County. There are no municipalities located in the proposed area. The real estate tax revenue lost by Johnson county as a result of the transfer of the assets requested in this application amounts to \$184.48 as indicated by the 1995 tax bill. However, the average R.E. tax bill for each of the customers of Village Water and Sewer Company, Inc., is approximately \$650.00. The approval of this Application would allow for many additional homes to be constructed which would have a considerable positive tax impact on Johnson County.

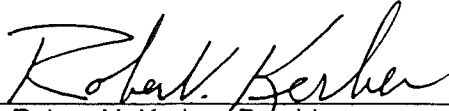
HEREFORE, Applicant requests the Commission for permission, approval and authorization to transfer the assets of the community water system it currently owns and maintains for the public located in an unincorporated area in Johnson County, Missouri to Public Water Supply District Number 3, a Political Subdivision of the State of Missouri.

Respectively submitted,

VILLAGE WATER AND SEWER COMPANY, INC.

ATTEST:


Pamela M. Wirtel, Secretary

By 
Robert V. Kerber, President

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING

I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE
OF MISSOURI, DO HEREBY CERTIFY THAT THE RECORDS IN MY OFFICE
AND IN MY CARE AND CUSTODY REVEAL THAT
VILLAGE WATER AND SEWER COMPANY, INC.

WAS INCORPORATED UNDER THE LAWS OF THIS STATE ON THE 3RD
DAY OF AUGUST, 1989, AND IS IN GOOD STANDING, HAVING FULLY
COMPLIED WITH ALL REQUIREMENTS OF THIS OFFICE.

IN TESTIMONY WHEREOF, I HAVE SET MY
HAND AND IMPRINTED THE GREAT SEAL OF
THE STATE OF MISSOURI, ON THIS, THE
6TH DAY OF JUNE, 1996.

Rebecca McDowell Cook

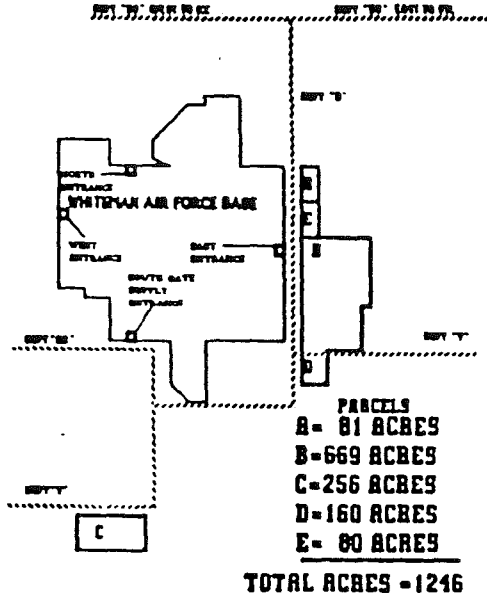
Secretary of State



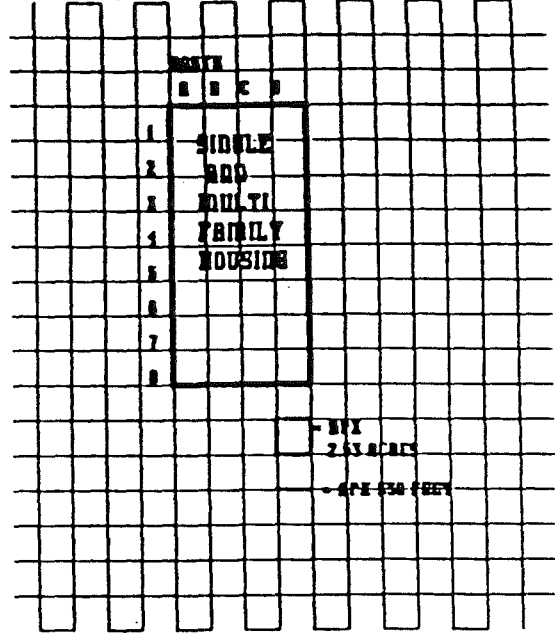
EXHIBIT 2

LINDO QUALITY COMPANY

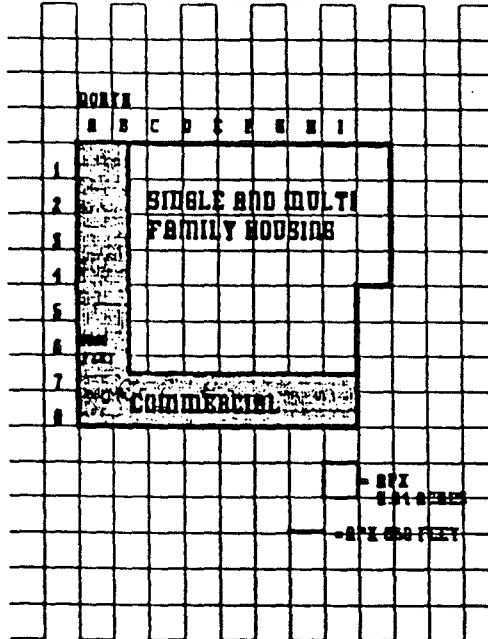
COMMERCIAL / RESIDENTIAL LAND DEVELOPMENT
ST. LOUIS, MISSOURI 314-864-0034



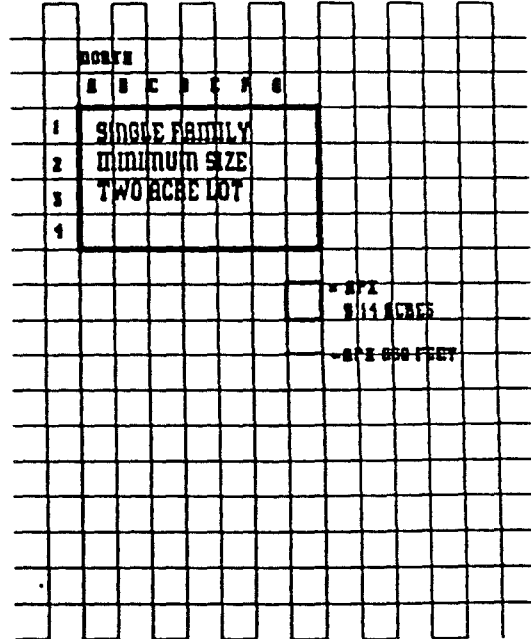
GRID PARCEL "A" - 81 ACRES



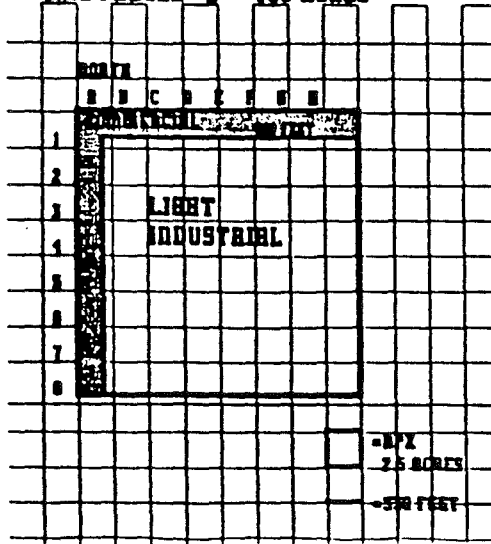
GRID PARCEL "B" - 669 ACRES



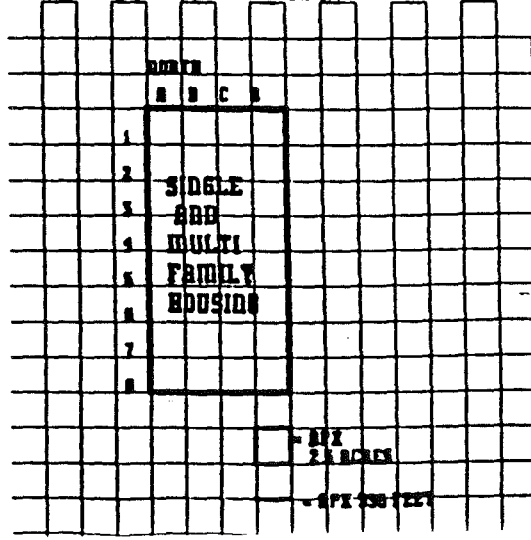
GRID PARCEL "C" - 256 ACRES



GRID PARCEL "D" - 160 ACRES



GRID PARCEL "E" - 80 ACRES



LEGAL DESCRIPTION

The following properties lying and being situated in the County of Johnson and the State of Missouri to wit:

SECTION A

The West eighty-one (81) acres of the Northeast Quarter (NE1/4) of Section 35, Township 46, Range 24;

PLUS

SECTION B

The Southwest Quarter of Section 1, except a tract described as follows: Beginning at a point in the center line of Missouri State Route "Y" 993.0 feet East of the West line of said Southwest Quarter of Section 1, thence North 2 degrees 25 minutes 30 seconds East 233.2 feet, thence South 85 degrees 13 minutes 30 seconds East 319.7 feet, thence South 02 degrees 36 minutes West 221.45 feet to the center line of said State Route "Y", thence North 87 degrees 23 minutes West along said center line 227.4 feet, thence North 87 degrees 26 minutes West 91.95 feet to the point of beginning; Lot 1 of the Northwest Quarter of Section 1; Lot 2 of the Northwest Quarter of Section 1; the West 10 acres of Lot 2 of the Northeast Quarter of Section 1; the West 10 acres of Lot 1 of the Northeast Quarter of Section 1; the East Half of Lot 2 of the Northeast Quarter of Section 2; Lot 1 of the Northeast Quarter of Section 2; all in Township 45 North, Range 24 West of the Fifth Principal Meridian;

PLUS

The West half of Lot two (2) of the Northeast quarter (NE1/4) of Section 2, Township 45, Range 24;

PLUS

The Northeast Quarter of Section Eleven (11), all in Township Forty-Five (45) North, Range Twenty-Four (24) West;

PLUS

SECTION C

The North Half of Section 21, Township 45 North, Range 24 West of the Fifth Principal Meridian, except the West 60 acres thereof and also except a strip of land beginning 30 rods East of the Northeast corner of the Southwest Quarter of said Section 21 and extending North 6 rods, thence West 130 rods, thence South 6 rods, thence East 130 rods to the place of beginning;

PLUS

LEGAL DESCRIPTION
(cont.)

SECTION D

The Southeast Quarter of Section Two (2), all in Township
Forty-Five (45) North, Range Twenty-Four (24) West;

PLUS

SECTION E

The West one-half of the SE 1/4 of Section 35, all in Township
46N, Range 24W.

AGREEMENT

Agreement entered into on June 5, 1996, between the Public Water Supply District Number 3, a Political Subdivision of the State of Missouri, herein referred to as District, and Village Water and Sewer Company, Inc., and Linda Realty Company, of City of Knob Noster, State of Missouri, corporations authorized to carry on business in the State of Missouri, herein referred to jointly and severally as Developer.

RECITALS

- A. Developer is in the process of developing certain tracts of land located in Johnson County, Missouri and located within the boundaries of District.
- B. Developer has developed a subdivision in Johnson County, Missouri, known as the "Villages at Whiteman" which has, to date, had water service provided by a 900 foot well and water distribution system owned and operated by Developer.
- C. Developer desires that District extend and provide to such properties District water to serve the same, and District, under certain conditions and stipulations, is agreeable thereto.

In consideration of the mutual agreements and covenants set forth herein, the parties agree as follows:

SECTION ONE

PAYMENT TO DISTRICT

(MP) (APW) Within _____ days after the execution of this agreement and prior to any materials being purchased, Developer will pay at the time the Construction Escrow account is opened, (ZUP) (RDA) District, the sum of Forty-seven Thousand Five Hundred Dollars (\$47,500.00), such sum to be applied to the cost of materials for constructing, installing, and extending the services herein described; ~~provided however, that all payments hereunder will not be due until District sets up a construction escrow account into which the payments from Developer will be deposited.~~ (MP) (RDA)

SECTION TWO

EXTENSION OF WATER SERVICES

Water services for the above-mentioned properties of Developer shall extend from the existing District water main in Section 28, Township 45 North, Range 24 West to and through property of Developer in Section 11, Township 45 North, Range 24 West and to the existing water system in Whiteman Village, Johnson County, Missouri.

SECTION THREE

CONVEYANCE OF EXISTING SYSTEM

Developer agrees to convey and transfer to District all ownership of the existing water distribution system, including easements, well, pumps, pump house, shed, meters, and water lines in Whiteman Village. Developer furthermore agrees to obtain, at its sole expense, a survey establishing a legal description for a three (3) acre tract containing the existing well, pump house, and

shed located in Whiteman Village and to convey, by Warranty Deed, good marketable fee simple title to same to District. District agrees, at its expense, to ^{convert} ~~convert~~ all existing water meters located in Whiteman Village from ^{"cubic feet"} ~~"metric"~~ to "gallon" measuring systems. *RPA*

SECTION FOUR

ADDITIONAL PAYMENT TO DISTRICT

~~Within _____ days after the execution of this agreement,~~ *RPA*

Developer will pay District Twenty-five Thousand Dollars (\$25,000) representing fifty (50) prepaid hookup fees at Five Hundred Dollars (\$500.00) each ^{at the time the construction Escrow account is opened.} *RPA* The cost of the first fifty (50) hookups that the Developer requests will be deducted from these funds.

SECTION FIVE

PAYMENT FOR WATER

District agrees to sell water to Whiteman Village at whole sale prices until the Missouri Public Service Commission approves this extension and acquisition. Once approval is obtained, District will charge regular Rural rates to each individual water customer.

SECTION SIX

OWNERSHIP OF SYSTEMS

The water systems referred to herein and contemplated hereby shall be and remain the sole and exclusive property of District. Developer and the persons to whom Developer sells shall have no interest, right, title, or ownership therein. District shall have the right to extend, improve, maintain, enlarge the same as it deems necessary, fix the rates applicable thereto, change the same

from time to time, and adopt rules and regulations to control, regulate, and govern the use of such facilities.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the county and State aforesaid, the day and year first above written.

Robert J. Bright
Notary Public

My Commission Expires:
~~ROBERTA J. BRIGHT~~
Notary Public-State of Missouri
Commissioned in Johnson County
~~My Commission Expires June 14, 1999~~

Attest:

Allen M. Buck
Secretary
(Seal)

PUBLIC WATER SUPPLY DISTRICT #3
OF JOHNSON COUNTY, MISSOURI

BY: Richard Dean Adams
DEAN ADAMS, PRESIDENT

State of Missouri
County of Johnson

On this 5th day of June, 1996, before me personally appeared, Richard Dean Adams to me personally known, who being by me duly sworn did say that he is the President of the Public Water Supply District #3 of Johnson County, Missouri and he signed the foregoing Agreement on behalf of said district by authority of its Board of Directors, and the said, Richard Dean Adams acknowledged said instrument to be the free act and deed of the district.

My Commission Expires
~~ROBERTA J. BRIGHT~~
Notary Public-State of Missouri
Commissioned in Johnson County
My Commission Expires June 14, 1999

In Testimony whereof, I have hereunto set my hand affixed my official seal in the county and State aforesaid, the day and year first written.

Robert J. Bright
Notary Public

EXHIBIT 5

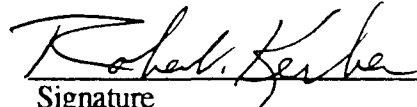
VERIFICATION

OATH

State of Missouri }
County of St. Louis } ss:

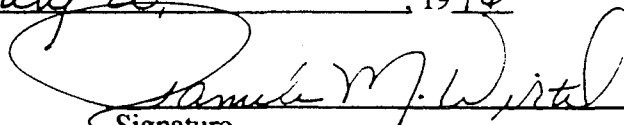
Robert V. Kerber makes oath and says that
he is President
of Village Water & Sewer Co., Inc.

that he has the approval of the Board of Directors of Village Water & Sewer Company, Inc. to sign this attached Application and that all statements of fact contained in this Application are true to the best of his knowledge.


Signature

Subscribed and sworn to before me, a Notary Public in and for the State and
county above named, this 17th day of June, 1996

My commission expires July 20, 1996


Signature

ENGINEERING

CIVIL AND MECHANICAL ENGINEERS

15 GALAXIE AVE • P.O. BOX 511 • HARRISONVILLE • MISSOURI • 64701
39 E. GAY • S-9 • WARRENSBURG • MISSOURI • 64093

816-380-5150

816-747-9449

June 14, 1996

Mr. Bob Kerber
Linda Realty Company

Dear Bob:

As you requested, we have summarized and enclosed for you the current state of the facilities for Public Water Supply District #3 of Johnson County.

Public Water Supply District #3 of Johnson County was created 11 years ago in 1985 to serve the rural population east and south of Warrensburg, Missouri. The District encompasses a 15 by 15 mile area bordered on the west by Missouri Route 13; on the north by U.S. Route 50, and on the east and south by the county lines. Included in the District are the communities of Montserrat and Hickory Hills. The Hickory Hills system operates off of its own pressure gradient from the clearwell, and all other portions of the system are operated off of the High Service pumps and elevated storage system. The District has 604 customers, 435 on the rural system and 169 in the Hickory Hills system. By number of meters, the split between the two systems is 72/28%.

Water for the system is obtained through two 600 foot deep wells located southeast of Hickory Hills. The wells are encased to 500 feet and the pumps are set at 400 feet. Each well has a 165 gpm pump that together supply 330 gpm to the clearwell. The current system wide maximum day demand is approximately 150,000 gal. This can be supplied in 15.2 hours by one pump or 7.6 hours by two pumps. Taking one pump as the firm supply, the wells are currently at 63% of capacity. Initial tests on wells indicated a maximum drawing capacity of 190 to 200 gpm; therefore, this capacity could be increased with a relatively simple pump upgrade at any time.

The District has constructed a new 132,000 gallon clearwell and chlorination facility this year to upgrade their storage. The rural system is supplied by two 20 horsepower high service pumps providing ± 200 gpm when operating independently, or ± 300 gpm when operating simultaneously. The District has two standpipes which supply the rural system. Both are set such that they operate at the same pressure gradient with a top water elevation of approximately 1065 MSL/NGVD'29. One 120' high by 10' diameter standpipe is located 4 1/4 miles South and 2 miles West of the wells and pumps at the intersection of SE 625 Street and SE 251 Street. The second standpipe is a 100' high by

10' diameter standpipe located 8 miles South and 2 miles East of the wells on PP Highway about 3/4 of a mile West of SE 771 Street. Regulations allow that portion of the standpipe above the 20 psi, or 46 foot of head line, to be considered usable storage. The upper 74 feet of Standpipe #1 stores 43,500 gallons, and the upper 54 feet of Standpipe #2 stores 31,700 gallons. The total system storage for the clearwell and Standpipes is 207,200 gallons.

Elevated storage is generally sized for equalizing, and is set at 33% of the maximum day demand. The elevated storage totals 75,200 gallons. The maximum day demand for the rural system currently is 92,400 gallons. Therefore, elevated storage is at 41% of capacity.

Clearwell storage is generally sized for 1/3 of the maximum day demand. With an overall maximum day demand of 156,000 gallons the 132,000 gallon clearwell is at 38% of capacity. Total system storage would currently last 33.2 hours at the average maximum day demand.

Plans currently in process to connect the villages of Whiteman Subdivision to the water districts system would increase the demand on current facilities as follows:

Estimated maximum day demand	=	173,000 gallons
Hours for 1 well to supply water (firm cap)	=	17.5 hours
Firm well capacity	=	72.8%
Clearwell capacity	=	43.9%
Elevated storage capacity	=	79.6%

The total system storage would last an estimated 28.8 hours with the addition of "The Villages" subdivision without any additional supply from the water production facilities of "The Villages".

Very Truly Yours,

REO ENGINEERING, P.C.

By: 
Larry E. Hansen, E.I.T.

LEH:mc

cc: Dean Adams, President
PWSD #3 of Johnson County, Missouri

Public Water Supply District
Rural Water Customers

WATER RATES

Effective September 1993

Gallons	Amount	Gallons	Amount
1000.....	20.20	5500.....	47.47
1100.....	20.81	5600.....	48.08
1200.....	21.41	5700.....	48.68
1300.....	22.02	5800.....	49.29
1400.....	22.62	5900.....	49.89
1500.....	23.23	6000.....	50.50
1600.....	23.84	6100.....	51.11
1700.....	24.44	6200.....	51.71
1800.....	25.05	6300.....	52.32
1900.....	25.65	6400.....	52.92
2000.....	26.26	6500.....	53.53
2100.....	26.87	6600.....	54.14
2200.....	27.47	6700.....	54.74
2300.....	28.08	6800.....	55.35
2400.....	28.68	6900.....	55.95
2500.....	29.29	7000.....	56.56
2600.....	29.89	7100.....	57.17
2700.....	30.50	7200.....	57.77
2800.....	31.11	7300.....	58.38
2900.....	31.71	7400.....	58.98
3000.....	32.32	7500.....	59.59
3100.....	32.93	7600.....	60.20
3200.....	33.53	7700.....	60.80
3300.....	34.14	7800.....	61.41
3400.....	34.74	7900.....	62.01
3500.....	35.35	8000.....	62.62
3600.....	35.96	8100.....	63.23
3700.....	36.56	8200.....	63.83
3800.....	37.17	8300.....	64.44
3900.....	37.77	8400.....	65.05
4000.....	38.38	8500.....	65.65
4100.....	38.99	8600.....	66.26
4200.....	39.59	8700.....	66.86
4300.....	40.20	8800.....	67.47
4400.....	40.80	8900.....	68.07
4500.....	41.41	9000.....	68.68
4600.....	42.02	9100.....	69.29
4700.....	42.60	9200.....	69.89
4800.....	43.23	9300.....	70.50
4900.....	43.83	9400.....	71.10
5000.....	44.44	9500.....	71.71
5100.....	45.05	9600.....	72.32
5200.....	45.65	9700.....	72.92
5300.....	46.26	9800.....	73.53
5400.....	46.86	9900.....	74.13
		10000.....	74.74

Johnson County Sales Tax of 1%

Is included in water rates.

Figure excess usage over 10,000 gallons at .60 per 100 gallons,
plus \$74.74. Add 1% Sales Tax (x.01) on usage over 10,000
gallons. \$20.20 shall be the minimum bill for each meter.

VILLAGE WATER AND SEWER COMPANY, INC.

For VILLAGES AT WHITEMAN

Name of Issuing Corporation

Commonly Known as City

KNOB NOSTER, MISSOURI

Water Service Schedule No. 1

Metered Service

Availability

Available for any metered customer located on
main suitable for supplying the service requested.

RateCubic Feet Used Per MonthRate Per 100 Cubic Feet

First 100

\$7.61

Over 100

\$1.28

* Monthly Minimum Charge

\$7.61

* The monthly minimum charge includes 100 cubic feet per month.

These rates do not include any municipal, state or federal taxes
computed on either billing or consumption basis. Any such taxes
applicable shall be added as separate items in rendering each
bill.

Billing

Bills will be distributed at monthly intervals and due for
payment at the net rate for a period of twenty-one (21) days
following mailing to the customer. Any accounts remaining
unpaid at the expiration of twenty-one (21) days shall be
considered delinquent and the Company may take such action
as is specified in its filed rules and regulations.

* Indicates new rate or text

+ Indicates change

RECEIVED

FEB 27 1991

MISSOURI

Public Service Commission

FILED

APR 1 1991

WP-7647

Public Service Commission

DATE OF ISSUE March 1, 1991
month day yearDATE EFFECTIVE April 1, 1991
month day year

ISSUED BY

ROBERT V. KERBER

name of officer

President

title

ST. LOUIS, MO

address

Village Water and Sewer Co
Case No. WM-96-454

COMPARISON OF TYPICAL BILL
PHASED-IN DISTRICT RATES

Typical Monthly Usage	4,812 gallons	same as	643 cubic feet
SAY	4,800 gallons	same as	642 cubic feet

VILLAGE RATES			DISTRICT RATES FOR YEAR:						
			<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	
Minimum	first 100 cf	\$7.61	first 1,000 gallons	\$0.00	\$0.00	\$5.00	\$10.00	\$15.00	\$20.36
Commodity	per 100 cf	\$1.28	per 1,000 gallons	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
bill for typical usage			\$14.55	\$22.80	\$22.80	\$27.80	\$32.80	\$37.80	\$43.16
annual percent increase			----	56.7%	0.0%	21.9%	18.0%	15.2%	14.2%
Non-phased percent			----						196.7%

Service List
Case No. WM-96-454
Revised: May 13, 1997

Liza S. Forshaw
One Mercantile Center, Suite 3400
St. Louis, MO 63101

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