

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 31st  
day of January, 1995.

In the matter of the application of Cedar Hill Utility Company, Inc., to enter into a loan agreement for \$175,000. )  
CASE NO. SF-94-33 )

ORDER APPROVING STIPULATION AND AGREEMENT

On July 29, 1993, Cedar Hill Utility Company, Inc. (Cedar Hill) filed an application seeking authority to enter into a loan agreement for \$175,000. Cedar Hill stated that the loan proceeds would be used for additions and improvements to its sewer system. Cedar Hill also requested expedited treatment of its application.

On January 3, 1995, the Commission issued a Notice advising the parties that absent a showing of good cause to the contrary on or before January 24, 1995, this case could be dismissed for a lack of prosecution. On January 24, 1995, Cedar Hill, the Staff of the Commission (Staff) and the Office of the Public Counsel (Public Counsel) filed a Stipulation and Agreement (Stipulation) which proposed to settle all issues in this case.

The Stipulation (Attachment A to this Order and incorporated herein by reference) notes that on January 18, 1994, Cedar Hill requested a revenue increase through a small company rate proceeding. The Stipulation also indicates that Cedar Hill has completed the first phase of its construction project, the conversion of a lagoon to a mechanical treatment plant, and in the second phase of the project, Cedar Hill intends to make additional improvements to the mechanical treatment plant.

The Stipulation states that Cedar Hill should be authorized to enter into a secured loan agreement with Mercantile Bank of Jefferson County for up to \$117,000 at an interest rate not to exceed 9 percent. The

Stipulation provides that the second phase of the construction project will be completed by July 1, 1995 and that Cedar Hill will maintain records that recognize expenses and labor charges on a job cost basis for the second phase of the project as they are incurred. Also, Cedar Hill will maintain time cards for each employee on an ongoing basis. The Stipulation further provides that Staff will audit Cedar Hill's construction records including job costs of contractors for the second phase of the construction project. Said audit is to commence no later than 60 days after Cedar Hill notifies Staff of the completion of the project.

Cedar Hill agrees to withdraw its request for a small company rate proceeding and to not seek a rate increase for 60 days after it notifies Staff of the completion of the second phase of the construction project. Cedar Hill also agrees to write-off its plant-in-service balance and depreciation reserve balance as of January 1, 1994. Cedar Hill will also make the appropriate write-off for the contribution in aid of construction balance. The effect of such write-offs is that Cedar Hill will have no investment recorded at January 1, 1994.

The Stipulation further provides that Cedar Hill will convert its outstanding long-term and short-term debt to Account 183 - Other Deferred Debits, with a corresponding entry to Account 253 - Other Deferred Credits. Although Cedar Hill may pay these debts out of its earnings, these debts are not to be considered in determining rate base or cost of service in future rate cases. In addition, Cedar Hill is to account for the balance of the remaining capital dollars needed for the second phase of the project (approximately \$57,000) in the form of "Additional Paid-In Capital".

The Commission has reviewed the application and the Stipulation in this matter. The Commission finds that the money to be procured by the

... ed for the purposes outlined in this  
... , in whole or in part, reasonably  
... . The Commission also finds that  
... ent is not excessive. Furthermore,  
... review and oversight of the loan  
... and the accounting provisions of the  
... the public interest in the  
... at the Stipulation in this case is  
... .

The Court may approve a stipulation of the issues in a  
... if it finds that the stipulation is just and reasonable. The  
... determines that the Stipulation in this  
... .

1. ...  
2. ... and Agreement filed in this case  
... adopted.  
3. ... Company, Inc. is hereby authorized  
... with Mercantile Bank of Jefferson  
... an interest rate not to exceed nine percent

... ity Company, Inc. may execute and  
... e such other acts as are necessary  
... rized in Ordered Paragraph 2.

... der shall be considered as a finding  
... eness of the expenditures herein  
... ng purposes of any properties herein  
... e value placed upon said properties

5. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions, and their resulting cost of capital, in any later proceeding.

6. That this Order shall become effective on February 10, 1995.

BY THE COMMISSION



David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,  
Kincheloe and Crumpton, CC., Concur.

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

In the matter of the	)	
application of Cedar Hill	)	
Utility, Inc., to enter into	)	Case No. SF-94-33
a loan agreement for	)	
\$175,000.	)	

**STIPULATION AND AGREEMENT**

On July 29, 1993, Cedar Hill Utility Company, Inc., (Company) filed with the Missouri Public Service Commission (Commission) an Application to enter into a loan agreement for \$175,000. The proceeds of the loan would be used to fund a construction project described in the Application. On January 18, 1994, the Company filed with the Executive Secretary of the Commission a letter requesting a general increase in revenues through a small company rate proceeding.

In the third quarter of 1994, the Company completed the conversion of a lagoon to a mechanical treatment plant. This was the first phase of its construction project. In the second phase of its construction project, the Company is making additional improvements to the mechanical treatment plant.

The Company and Commission Staff (Staff) have exchanged information in person, in writing, and by telephone. As a result of negotiations, the undersigned Signatories have reached the following stipulations and agreements:

1. The Signatories agree that Company should be authorized to enter into a secured loan agreement with Mercantile Bank of

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Jefferson County for up to \$117,000 at an interest rate not to exceed 9%.

2. The Company agrees to maintain records that recognize expenses and labor charges on a job cost basis for the second phase of the construction project as they are incurred. In addition, the Company agrees to maintain time cards for each employee on an ongoing basis.

3. The Company agrees to complete the second phase of construction on the mechanical treatment project by July 1, 1995.

4. The Company agrees to withdraw its request for a small company rate proceeding and agrees not to initiate a rate increase for sixty days after notifying the Manager of the Commission's Water and Sewer Department of the completion of the second phase of construction.

5. The Commission Staff will audit the construction records of the Company including job costs of contractors for the second phase of construction on the mechanical treatment project. This audit/review will commence no later than sixty days after the Company notifies the Manager of the Commission's Water and Sewer Department of the completion of the construction.

6. The Company agrees to write off its plant-in-service balance and depreciation reserve balance as of January 1, 1994. The Company will also make the appropriate write-off for the contribution in aid of construction balance. The effect of these write-offs is that the Company will have no investment recorded at January 1, 1994.

7. The Company agrees to convert its outstanding long-term and short-term debt to "other deferred debits" (Account 183) with a corresponding entry to "other deferred credits" (Account 253). Although the Company may pay these debts out of its earnings, these debts are not to be considered in determining rate base or cost of service in future rate cases for this Company or for a regulated successor.

8. The Company agrees to account for the balance of the remaining capital dollars needed for the second phase of the construction project (approximately \$57,000) in the form of "Additional Paid-In Capital".

9. The Company agrees to make the appropriate accounting adjustments to be in compliance with paragraphs 7 and 8 herein.

10. The Company agrees to file journal entries in the Commission's Official Case File indicating the amount of the secured loan agreement in order that the Commission's Internal Accounting Staff may apply the fee schedule.

11. The Company agrees to file the final terms and conditions associated with the secured loan agreement in the Commission's Official Case File.

12. The Company agrees to adopt a corporate policy in which the Company will strive to maintain a financial position which would result in its rate base being financed with a minimum of 30 percent common equity to total capital.

13. 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.

14. 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 the Stipulation and Agreement, except to the extent specified herein.

15. This Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent.

16. 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.

17. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Signatories waive their respective rights to cross-examine the witnesses and to present oral argument in written briefs pursuant to Section 536.080.1 RSMo 1994, their respective rights 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 386.510 RSMo 1994.

18. 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 parties submitting such memorandum in any future proceedings 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.

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.

WHEREFORE, for the foregoing reasons, the undersigned signatories respectfully request that the Commission issue its Order:

(a) Approving the specific terms and conditions of this Stipulation and Agreement; and

(b) Authorizing Cedar Hill Utility Company, Inc., to enter into a secured loan agreement with Mercantile Bank of Jefferson County for up to \$117,000 at an interest rate not to exceed 9%.

Respectfully submitted,

STAFF OF THE MISSOURI PUBLIC  
SERVICE COMMISSION

Wm K Haas  
William K. Haas  
Senior Counsel  
P.O. Box 360  
Jefferson City, MO 65102

CEDAR HILL UTILITY COMPANY, INC.

Jack C. Stewart  
Jack C. Stewart  
Attorney at Law  
P.O. Box 740  
Hillsboro, MO 63050

OFFICE OF THE PUBLIC COUNSEL

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

**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 24th day of January, 1995.

Wm K Haas

Service List for Case No. SF-94-33

Jack Stewart  
Attorney at Law  
P.O. Box 740  
Hillsboro, MO 63050

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