



Missouri Public Service Commission

Commissioners  
KELVIN L. SIMMONS  
Chair  
CONNIE MURRAY  
SHEILA LUMPE  
STEVE GAW  
BRYAN FORBIS

POST OFFICE BOX 360  
JEFFERSON CITY, MISSOURI 65102  
573-751-3234  
573-751-1847 (Fax Number)  
<http://www.psc.state.mo.us>

November 30, 2001

ROBERT J. QUINN, JR.  
Executive Director  
WESS A. HENDERSON  
Director, Utility Operations  
ROBERT SCHALLENBERG  
Director, Utility Services  
DONNA M. PRENGER  
Director, Administration  
DALE HARDY ROBERTS  
Secretary/Chief Regulatory Law Judge  
DANA K. JOYCE  
General Counsel

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

**FILED<sup>2</sup>**  
NOV 30 2001  
Missouri Public  
Service Commission

**RE: Case No. SC-99-135 - House Springs Sewer Company, Inc.**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF REPORT**.

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,

Cliff E. Snodgrass  
Senior Counsel  
(573) 751-3966  
(573) 751-9285 (Fax)

CES:sw  
Enclosure  
cc: Counsel of Record

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

Staff of the Missouri Public Service Commission,  
Complainant,  
v.  
House Springs Sewer Company,  
Respondent.

Case No. SC-99-135

**FILED<sup>2</sup>**  
NOV 30 2001  
Missouri Public Service Commission

**STAFF REPORT**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through one of its attorneys, and for its Staff Report states as follows:

1. On October 24, 2001, the Commission directed the Staff to provide certain information required by the Commission in connection with House Springs Sewer Company. Staff is respectfully complying with the Commission’s request for that information in the same format as it was originally requested, as shown below.

**Question (A):** Is House Springs Sewer Company currently in violation of any of the provisions set forth in the stipulation and agreement or of any of the provisions of the order approving that agreement in this case? If so, give specifics of each violation by House Springs.

**Staff Response:** No. As has been reported to the Commission in other Status Reports filed in this case, the proceeds from the sale of the assets of House Springs Sewer Company's ("HSSC") sister company, Imperial Utility Corporation ("Imperial"), have not yet been distributed, nor have HSSC's assets been sold. As a result, it is the Staff's opinion that HSSC is not in violation of the provisions of either the Stipulation and Agreement or the Commission's Order approving that Agreement in this case, because the "compliance" provisions of those documents are conditioned upon the payment of HSSC's past due assessments *after* either HSSC's assets have been sold or the proceeds of the sale of Imperial's assets have been distributed. Neither of these two events has occurred.

**Question (B):** Is House Springs currently in violation of any other order of the Commission? If so, give specifics of each violation by House Springs.

**Staff Response:** Through a review of records pertaining to cases filed before the Commission in fiscal years 1999, 2000, 2001 and 2002 (covering the period of July 1, 1998 through November 28, 2001), the Staff identified the following cases in which HSSC was either directly or indirectly involved, in addition to the instant case.

<u>SC-99-240</u>	<u>SM-99-287</u>	<u>SR-2000-302</u>
<u>SR-2001-283</u>	<u>SR-2001-303</u>	<u>SC-2001-664</u>

Additionally, due to references included in one or more of the above cases, the Staff is also aware of Case No. SC-96-427, which was a complaint case that the Office of the Public Counsel (OPC) filed against HSSC.

Except as discussed in the responses to Questions (C) and (E), regarding certain compliance provisions that the Commission established in Case Nos. SC-96-427 and SR-2001-303, it is the Staff's opinion that HSSC is not in violation of any Commission order issued in the cases listed in the above paragraph. This opinion is based upon the Staff's review of the various orders that the Commission has issued in those cases, and the Staff's review of the actions taken by HSSC, where needed, in response to the applicable Commission orders.

**Question (C):** Is House Springs delinquent in the filing of any of its annual reports? If so, list each year that House Springs has failed to file its annual reports.

**Staff Response:** Yes. HSSC is delinquent in the filing of certain of its annual reports. Based upon a review of available electronic records maintained by the Commission's Data Center, which encompass calendar years 1997 through 2000, the Staff has determined that HSSC is delinquent in the filing of its annual reports for three of these four years. In particular, the above-referenced records show that as of November 28, 2001 HSSC had not filed its annual reports for calendar years 1998, 1999 and 2000.

(The Staff notes that the filing delinquencies pertaining to calendar years 1998 and 1999 were to have been rectified on or before January 5, 2001, pursuant to ordered paragraph number 5 of the December 26, 2000 Order Granting Waiver, Granting Rate Increase, Approving Tariff and Closing Case that the Commission issued in Case No. SR-2001-303.)

**Question (D):** Has House Springs failed to make any of its assessment payments? If so, list each payment that House Springs has failed to make, including the amount thereof.

**Staff Response:** Yes. HSSC has failed to make many of its last few years' assessment payments. Based upon a review of available electronic records maintained by the Commission's Internal Accounting Department, which encompass utility assessments for fiscal years 1996 through 2002, the Staff has determined that, except for 1996, HSSC has failed to make full payments on its assessments for each of the above fiscal years. Regarding 1996, the above-referenced records show no balance owed. HSSC is, however, currently making quarterly payments on its assessment for FY2002, as is required by the Order issued in Case No. SR-2001-303.

Set out below is a table showing HSSC's payment history regarding its Commission assessments for fiscal years 1997 – 2002, which was compiled using the above-referenced records. (All amounts shown are rounded to the nearest whole dollar amount.)

Fiscal Year	Amount of Assessment	Amount Paid	Date Paid	Balance Due
1997	\$11,632	\$2,908 \$2,908	08/21/96 11/27/96	\$5,816
1998	\$12,491	None	xxxxxx	\$12,491
1997-1998	\$24,123	\$5,816	xxxxxx	\$18,307
1999	\$22,787	None	xxxxxx	\$22,787
1997-1999	\$46,910	\$5,816	xxxxxx	\$41,094
2000	\$28,831	None	xxxxxx	\$28,831
1997-2000	\$75,741	\$5,816	xxxxxx	\$69,925
2001	\$18,119	\$1,500 \$1,500 \$5,000	03/27/01 06/05/01 10/10/01	\$10,119
1997-2001	\$93,860	\$13,816	xxxxxx	\$80,043
2002	\$14,671	\$3,668 \$3,668	07/17/01 10/10/01	\$7,335

1997-2002	\$108,531	\$21,152	xxxxxx	\$87,379
-----------	-----------	----------	--------	----------

**Question (E):** Ordered paragraph number three of the order granting waiver, granting rate increase, approving tariff, and closing case, issued by the Commission on December 26, 2000, in case number SR-2001-303, stated: “That House Springs Sewer Company, Inc., shall no later than January 5, 2001, resume compliance with this Commission’s Order issued in Case No. SC-96-427, including providing quarterly surveillance reports to the Staff of the Commission and to the Office of the Public Counsel.” Has House Springs complied with this ordered paragraph? If not, give specifics of each violation by House Springs.

**Staff Response:** HSSC has complied with some of the provisions of this ordered paragraph, but has not complied with the majority of the provisions of this ordered paragraph. Based upon responses to a question regarding HSSC’s compliance with the above-referenced provision, which the Manager of the Commission’s Water & Sewer Department routed via e-mail to members of the Commission’s Accounting and Financial Analysis Departments and to members of the OPC’s Accounting Staff, the Staff has determined that as of November 28, 2001, HSSC has not submitted any quarterly surveillance reports to either the Staff or the OPC during this calendar year.

Regarding HSSC’s compliance with the provisions of the Commission’s order, and the related Stipulation and Agreement (“Agreement”), in Case No. SC-96-427 that pertain to the implementation of certain “accounting system improvements”, it is the Staff’s opinion that HSSC is not in compliance with those provisions, because HSSC has not implemented the accounting system improvements.

Regarding HSSC's compliance with the remaining provisions of the Commission Order and related Agreement in Case No. SC-96-427, it is the Staff's opinion that HSSC is in compliance with those provisions.

(The opinions expressed in the two preceding paragraphs are based upon the results of the audit that the Staff conducted in HSSC's most recent small company rate case proceeding, which was docketed as Case No. SR-2001-303.)


**Question (F):** Ordered paragraph number four of the order granting waiver, granting rate increase, approving tariff, and closing case, issued by the Commission on December 26, 2000, in case number SR-2001-303, stated: "That the Staff of the Missouri Public Service Commission shall continuously monitor House Springs Sewer Company, Inc.'s compliance with this and other applicable orders of the Commission and, in the event of noncompliance, the Staff of the Commission shall promptly so notify the Commission by filing a Complaint." Has Staff complied with this ordered paragraph?

**Staff Response:** The Staff has been periodically monitoring HSSC's operations throughout this calendar year and has determined that HSSC has not complied with certain aspects of some Commission Orders; however, the Staff has not yet filed a Complaint against HSSC. The Staff's failure to file a Complaint has not been due to a willful disregard of Commission directives, but has resulted primarily from the Staff's workload regarding other water and sewer matters before the Commission, and the ongoing involvement of certain key Staff members in other special projects such as the Chapter 3 Rulemaking Team and the Testimony Review/Filing Team.

In addition, the Staff is aware that HSSC has been in litigation with the accounting firm that has normally prepared HSSC's quarterly surveillance reports and annual reports. This situation has resulted in many of HSSC's historical operating and accounting records not being available to the court-appointed receiver of HSSC for use in preparing the required Commission reports. Because of this litigation, it is Staff's understanding that the receiver only has access to recent "day to day" routine operating and accounting information, which is insufficient to prepare the required surveillance and annual reports. Since the receiver has not had access to the records needed to prepare the required reports, the Staff has been reluctant to pursue a complaint premised upon willful non-compliance with the subject reporting requirements because it is the Staff's belief that the evidence would not support such an allegation.

Respectfully submitted,

DANA K. JOYCE  
General Counsel



Cliff Snodgrass  
Senior Counsel  
Missouri Bar No. 52302

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-3966 (Telephone)  
(573) 751-9285 (Fax)  
*snodgra@mail.state.mo.us*



**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 30th day of November, 2001.

Cliff Snodgrass

**Service List for  
Case No. SC-99-135  
Revised: November 30, 2001 (SW)**

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

**Mark S. Rubin  
Frankel, Rubin, Bond & Dubin, P.C.  
231 S. Bemiston, Suite 1111  
Clayton, MO 63105**