

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

In the Matter of Missouri-American)
Water Company for Certificates of)
Convenience and Necessity Authorizing)
it to Install, Own, Acquire, Construct,) File No. _____
Operate, Control, Manage and Maintain)
Water and Sewer Systems in and around)
the City of Lawson, Missouri.)

**APPLICATION AND
MOTION FOR WAIVER**

COMES NOW Missouri-American Water Company (MAWC) pursuant to Sections 393.140, 393.170, and 393.320, RSMo, and 4 CSR 240-2.060, 4 CSR 240-3.305, 4 CSR 240-3.600, and 4 CSR 240-4.017, and for its Application and Motion for Waiver, states as follows to the Missouri Public Service Commission (Commission):

SUMMARY

On November 7, 2017, 91.94% of the votes cast (422 in favor, 37 against) in the City of Lawson, Missouri, voted in favor of the following proposition:

OFFICIAL BALLOT
ELECTION
CITY OF LAWSON, MISSOURI

Tuesday, November 7, 2017

QUESTION

Shall the City of Lawson, Missouri, be authorized to sell its water and wastewater (sewer) utility to Missouri American Water Company for the sum of \$4,000,000.00 (Four Million Dollars)?

YES

NO

INSTRUCTIONS TO VOTERS:

If you are in favor of the question, place an “X” in the box opposite “Yes”. If you are opposed place an “X” in the box opposite “No”.

If a majority of the votes cast on the proposal by the qualified voters voting thereon are in favor of the proposal, then the sale contemplated in this section shall be affected. If a majority of the votes cast by the qualified voters voting are opposed to the proposal, then the City of Lawson’s Board of Aldermen shall not proceed forward with the sale contemplated in this section unless and until the Board of Aldermen resubmits a proposal to authorize the Board of Aldermen to proceed forward with a sale authorized by this section and such proposal is approved by a majority of the qualified voters voting thereon.

On February 5, 2018, the City of Lawson (Lawson) entered into an Asset Purchase Agreement with MAWC, which outlines MAWC’s purchase of the Lawson water and sewer systems.

By this application, MAWC requests certificates of convenience and necessity from the Commission to provide water and sewer service in and around the City of Lawson utilizing the water and sewer systems to be purchased from the City of Lawson.

BACKGROUND

1. This Application is being filed by MAWC to obtain certificates of convenience and necessity to install, own, acquire, construct, operate, control, manage and maintain water and sewer systems in and around the City of Lawson, Missouri.

2. MAWC is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. MAWC is a Missouri corporation in good standing. A certified copy of MAWC’s certificate of good standing was submitted in Case No. SA-2007-0316 and is incorporated by reference. MAWC currently provides water service to the public in and around the cities of St. Joseph, Joplin, Brunswick, Mexico, Warrensburg, Parkville, Riverside, Jefferson City, and parts of St. Charles, Warren, Jefferson, Morgan, Pettis, Benton,

Barry, Stone, Greene, Taney, Christian, and Platte Counties, and most all of St. Louis County, Missouri. MAWC currently provides water service to approximately 457,300 customers. MAWC provides sewer service to approximately 4,760 customers in Callaway, Jefferson, Pettis, Cole, Morgan, Platte, Taney, Stone, Christian, and Warren Counties, Missouri. MAWC is a “water corporation,” a “sewer corporation” and a “public utility” as those terms are defined in Section 386.020 RSMo, and is subject to the jurisdiction and supervision of the Commission as provided by law. MAWC has no overdue Commission annual reports or assessment fees. There is no pending action or final unsatisfied judgment or decision against MAWC from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application other than cases pending before this Commission.

3. Communications respecting this Application should be addressed to the undersigned counsel and:

For **Missouri-American Water Company**:

Ms. Takisha Walker

Manager Business Development – Proposal and Integration

Missouri-American Water Company

727 Craig Road

Creve Coeur, Missouri 63021

Direct Dial 314-996-2215

Mobile Number – 314-440-8236

Takisha.Walker@amwater.com

For the **City of Lawson**

Ms. Cydney Mayfield, City Attorney

Lauber Municipal Law, LLC

417 Main Street, Suite B

Boonville, MO 65233

Cmayfield@laubermunicipal.com

660-672-4597

CERTIFICATE

4. MAWC requests permission, approval and Certificates of Convenience and Necessity to install, own, acquire, construct, operate, control, manage and maintain water and sewer systems for the public in an area in and around the City of Lawson, Missouri, as set forth on the maps attached to this Application as Appendix A.

5. MAWC proposes that the area to be certificated for sewer service be described as: “The City of Lawson and the surrounding area.”

6. Attached hereto and marked as Appendix B-C is a list of ten residents or land owners within the proposed service area. It has been identified as Confidential pursuant to the Commission’s rules because it contains customer-specific information.

7. Attached hereto and marked as Appendix C-C is a feasibility study for the water and sewer systems, including estimated expenses and revenues during the first three years of operation by MAWC. No external financing is anticipated. The feasibility study has been identified as Confidential pursuant to the Commission’s rules because the information can be used to derive strategies employed, to be employed, or under consideration in contract negotiations and market analysis relating to services for use in providing services to customers.

8. To provide service to the proposed area, MAWC will purchase water and sewer systems from the City of Lawson, Missouri (Lawson). Lawson is a Fourth Class City located in Clay, Clinton and Ray Counties. Lawson serves about 970 water accounts and about 904 sewer accounts.

9. The Lawson water system purchases its water supply from the City of Excelsior Springs, Missouri. The water system consists of and includes two storage tanks – the Highway 69/Golf Course Tank with a storage capacity of 300,000 gallons and the Downtown Tank with a

storage capacity of 50,000 gallons. The system also contains the Italian Way pump station located in Excelsior Springs near the water storage tank. The distribution system is comprised of water main that was original constructed in the 1950s and had significant investment in the form of water line extensions in 2003 and 2007, as well as distribution system improvements associated with the Highway 69/Golf Course Tank in 1991.

10. The Lawson wastewater treatment plant is a four-cell lagoon system. According to the Department of Natural Resources, the design flowrate is 300,000 gallons per day and the actual flowrate is 247,000 gallons per day, leaving only about 18% design capacity for future growth. The wastewater system includes 8 sewer lift stations and includes about 19,139 feet of sewer main in its collection system.

11. On February 5, 2018 the Lawson Board of Aldermen passed *Ordinance No. 10-91 –An Ordinance Authorizing the Mayor to Execute an Asset Purchase Agreement on Behalf of the City of Lawson and Missouri American Water Company to Effectuate the Sale and Transfer of the City’s Water and Sewer Utility Assets.* . An Asset Purchase Agreement (APA) was then executed on February 5th, 2018. A copy of that APA is attached hereto as **Appendix D**.

12. MAWC proposes to provide service pursuant to the rates currently charged by the City of Lawson and to utilize the rules and regulations currently found in MAWC’s water tariff book Mo. PSC No. 13 and in sewer tariff book Mo. PSC No. 26, until such time as the rates or rules and regulations may be modified according to law.

13. The grant of the requested certificates (and approval of the underlying transaction) will result in regulated water and sewer service to be provided to the current and future residents of Lawson and the surrounding area. The water and sewer assets of Lawson would be acquired by MAWC, a Missouri public utility, and be subject to the jurisdiction of the

Commission. MAWC has considerable expertise and experience in providing water and sewer utility services to residents of the State of Missouri and is fully qualified, in all respects, to own and operate the systems currently being operated in and around the City of Lawson.

RATEMAKING RATE BASE

14. MAWC seeks to establish the ratemaking rate base associated with the Lawson water and sewer assets in this matter pursuant to Section 393.320, RSMo. Section 393.320.2 states as follows:

The procedures contained in this section may be chosen by a large water public utility, and if so chosen shall be used by the public service commission to establish the ratemaking rate base of a small water utility during an acquisition.

15. MAWC is a “large water public utility” as it is a “public utility regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service.” Section 393.320.1(1), RSMo. Lawson is a “small water utility” as it is a “water system or sewer system owned by a municipality that regularly provides water service or sewer service to eight thousand or fewer customer connections.” Section 393.320.1(2), RSMo.

16. Section 393.320.3(1), RSMo requires an appraisal to be performed by three appraisers. Such an appraisal has been performed on the Lawson water and sewer system and is attached hereto as **Appendix E**. The appraisal contains a joint assessment of the fair market value of the water system and sewer system.

17. Section 393.320.5(1), RSMo states, in part, that the “lesser of the purchase price or the appraised value, together with the reasonable and prudent transaction, closing, and transition costs incurred by the large water public utility, shall constitute the ratemaking rate base for the small water utility as acquired by the acquiring large water public utility. . . .” In this case, the purchase price is equal to the appraised value (\$4 million - \$2,630,000 for water assets,

and \$1,370,000 for sewer assets). Therefore, that amount together with the reasonable and prudent transaction, closing, and transition costs incurred by MAWC, shall constitute the ratemaking rate base.

18. MAWC requests that the Commission issue its decision establishing the ratemaking rate base of the Lawson water and sewer assets in its order approving the requested certificate and this transaction. Section 393.320.5(2), RSMo.

MOTION FOR WAIVER

19. Rule 4 CSR 240-4.017(1) provides that “(a)ny person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case.” A notice was not filed 60 days prior to the filing of this Petition, and MAWC seeks a waiver of the 60-day notice requirement..

20. Rule 4 CSR 240-4.017(1)(D) provides that a waiver may be granted for good cause. Good cause exists in this case. MAWC declares (as verified below) that it has had no communication with the office of the Commission (as defined by Commission Rule 4 CSR 240-4.015(10)) within the prior 150 days regarding any substantive issue likely to be in this case, other than those pleadings filed for record. Accordingly, for good cause shown, MAWC moves for a waiver of the 60-day notice requirement of Rule 4 CSR 240-4.017(1) and acceptance of this Application.

WHEREFORE, MAWC requests the Commission grant MAWC:

1. permission, approval and a Certificates of Convenience and Necessity authorizing MAWC to:

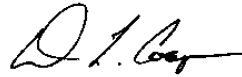
a) install, acquire, build, construct, own, operate, control, manage and maintain water and sewer systems for the public within the area referred to above; and,

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 12th day of February, 2018, to:

General Counsel's Office
staffcounsel@psc.mo.gov

Office of the Public Counsel
opcservice@ded.mo.gov



AFFIDAVIT

State of Missouri)
)
County of St. Louis) ss

I, Cheryl Norton, having been duly sworn upon my oath, state that I am the President of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of MAWC, that I have knowledge of the matters stated herein, and that said matters are true and correct to the best of my knowledge and belief. Additionally, no representative of MAWC has had any communication with the office of the Missouri Public Service Commission as defined in Commission Rule 4 CSR 240-4.015(10) within the immediately preceding 150 days regarding the subject matter of this Application.

Cheryl D. Norton

Subscribed and sworn before me this 12th day of February, 2018.

Mary Beth Hercules
Notary Public

My Commission Expires April 26, 2020



APPENDICES

Appendix A	Map of Area
Appendix B-C	List of Ten Residents or Land Owners
Appendix C-C	Feasibility Study
Appendix D	Asset Purchase Agreement
Appendix E	Appraisal