

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

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience)
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain a Water System and)
Sewer System in and around the City of)
Ironton, Missouri)

File Nos. WA-2023- 0434
SA-2023- 0435

**APPLICATION AND
MOTION FOR WAIVER**

COMES NOW Missouri-American Water Company ("MAWC") pursuant to Sections 393.140, and 393.170 RSMo, and 20 CSR 4240-2.060, 20 CSR 4240-3.305, 20 CSR 20 4240-3.600 and 20 CSR 4240-4.017(1)(D), and for its Application and Motion for Waiver, states as follows to the Missouri Public Service Commission:

BACKGROUND INFORMATION

1. This Application is being filed by MAWC to obtain a Certificate of Convenience and Necessity ("CCN") to install, own, acquire, construct, operate, control, manage and maintain a water system and sewer system in and around the City of Ironton, Missouri ("Ironton"), which is located in Iron County.

2. MAWC is a Missouri corporation, active and in good standing with the Missouri Secretary of State, with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. Pursuant to Commission regulation 20 CSR 4240-2.060(1)(G), MAWC incorporates by reference the certified copies of its articles of incorporation and its certificate of good standing previously filed in File No. WO -2020-0190.

3. MAWC currently provides water service to approximately 480,000 customers and sewer service to approximately 23,000 customers in several counties throughout the state

of Missouri. MAWC is a "water corporation," a "sewer corporation," and a "public utility" as those terms are defined in Section 386.020 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.

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

Missouri-American Water Company:

Missouri-American Water Company
727 Craig Road
Creve Coeur, Missouri 63141

Attn : Stephen Kadyk
Engineering Manager of Customer Development
Direct Dial 314-239-9515
steve.kadyk@amwater.com

CERTIFICATE OF CONVENIENCE AND NECESSITY

5. MAWC proposes to purchase all of the water and sewer assets of the currently unregulated system of Ironton, and requests permission, approval and a CCN to own, acquire, construct, operate, control, manage and maintain the water and sewer systems for the public in an area in and around Ironton, Missouri.

6. To provide service to the proposed area, MAWC will purchase the water and sewer systems from Ironton. Ironton is a fourth-class city located in Iron County. Ironton serves approximately 725 water accounts and approximately 700 sewer accounts. The City of Ironton has a population of approximately 1,475. In addition, the City of Ironton also accepts sewage for treatment from the City of Pilot Knob.

7. The water system consists of the original water plant which was constructed in 1928. The water system also includes three storage tanks, a pressure reducing valve (PRV) vault, and the water distribution system. The water treatment plant is a conventional treatment plant including flocculation, sedimentation, greensand filtration, and microfiltration. The water treatment plant includes raw water and finished water pumps, and various chemical feed systems. The water system includes three ground storage tanks. The oldest tank is the Dent Street Tank which is a 200,000-gallon welded steel tank. The other two tanks are the Westwood Tank and the North Tank. Both are 106,000 gallons and glass-lined steel tanks.

8. The wastewater treatment facility is a three-cell lagoon (one aerated cell and two holding cells), partial irrigation, and sludge is retained in the lagoons. The WWTF has a design flow of 400,000 gallons per day. Based on the 1990 Construction Plans the wastewater treatment plant upgrades included a new excess flow pump station, a new holding cell, level control structures, irrigation pump station, chlorination building, and discharge structure. The collection system also includes a duplex lift station located on Fair Lane.

9. On August 10, 2022, the City of Ironton passed Ordinance No. 694 (“Ordinance”). *An Ordinance Calling An Election To Approve The Sale Of The City’s Water and Wastewater Systems To Missouri-American Water Company.* A copy of the Ordinance is attached hereto as **Appendix A.** Section 1 of the Ordinance provided notice of an election to be held on November 8, 2022, to vote whether the water and wastewater systems should be sold to Missouri-American Water. Section 5 of the Ordinance provided that the City of Ironton had negotiated a contract with Missouri-American Water for the sale of the municipal water and wastewater systems for a purchase price of Three-Million Seven-Hundred Thousand Dollars (\$3,700,000.00.) The question

on the ballot was:

Shall the City of Ironton, Missouri, be authorized to sell its water and wastewater systems to Missouri-American Water Company for the sum of Three Million Seven Hundred Thousand Dollars (\$3,700,000.00)?

10. The Board of Aldermen and the City of Ironton held a public meeting on September 26, 2022, to discuss the proposed sale of the City's water and wastewater systems. MAWC representatives attended the Town Hall Meeting and were available to answer any questions. A copy of the meeting notice and a list of MAWC, MDNR and Commission Staff personnel in attendance is attached hereto as **Appendix B**.

11. An election was held on November 8, 2022, with approximately 70% of the votes in favor of Ironton selling its water and sewer systems to MAWC. There were 450 total votes cast of which 315 voted "yes" and 135 voted "no".

12. On February 15, 2023, MAWC entered into an *Agreement for Purchase of Water and Wastewater System ("Purchase Agreement")* with Ironton. A copy of the *Purchase Agreement* is attached as **Appendix C**. The schedules and exhibits to the *Purchase Agreement* have not been created at this time. In most cases, they are prepared if and when approval is received by the Missouri Public Service Commission to proceed with the transaction since these items are part of the closing process.

13. MAWC proposes to purchase the water and sewer utility assets of Ironton, as specifically described in, and under the terms and provisions of the *Purchase Agreement*. Legal descriptions of the water and sewer areas sought to be certificated are attached as **Appendix D1** and **Appendix D2**. Maps of the water and sewer areas sought to be certificated are attached to this Application as **Appendix E1** and **Appendix E2**.

14. Attached hereto and marked as Appendix F-C is a list of ten residents or landowners within the proposed service area. Appendix F-C has been identified as Confidential in accordance with Commission Rule 20 CSR 4240-2.135(2)(A)1, as it contains customer specific information.

APPRAISAL

15. MAWC seeks to establish the ratemaking rate base associated with the Ironton water and sewer assets 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.

16. 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. Ironton 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.

17. Section 393.320.3 (1), RSMo requires an appraisal to be performed by three appraisers. Ironton selected Elizabeth Goodman Schneider, LLC as their appraiser, MAWC selected Edward J. Batis & Associates, Inc. as their appraiser and Dinan Real Estate Advisors was selected as the third-party appraiser by the other two appraisers. The appraisers completed a fair market value of water and sewer systems and determined the fair market value of each in accordance with Missouri law and with the Uniform Standards of Professional Appraisal Practice (USPAP). Such an appraisal has been performed on the Ironton water and sewer systems and is attached hereto as Appendix G. The appraisal references the Flinn Engineering Report which is

attached hereto as **Appendix H.**

18. 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 \$3,700,000 (\$2,000,000 for water system assets, and \$1,700,000 for sewer system assets). Therefore, the purchase price together with the reasonable and prudent transaction, closing, and transition costs incurred by MAWC, shall constitute the ratemaking rate base.

ADDITIONAL INFORMATION

19. Attached hereto and marked as **Appendix I-C** is the feasibility study for the water system and **Appendix J-C** is the feasibility study for the sewer system. No external financing is anticipated. **Appendix I-C** and **Appendix J-C** have been marked as "Confidential" in accordance with Commission Rule 20 CSR 4240-2.135(2)(A)3, 4 and 6 as they contain market specific information and information representing strategies employed in contract negotiations.

20. Attached hereto and marked as **Appendix K** is an Integration Appendix that includes information relevant to the integration process of this proposed acquisition.

TARIFFS/RATES

21. MAWC proposes to provide water service pursuant to the existing rates currently applicable to MAWC's Jefferson City Service Area and to utilize the rules governing the rendering of water service currently found in MAWC's water tariff P.S.C. MO No. 13 until such time as the rates and rules are modified according to law. MAWC proposes to provide sewer service pursuant to the existing rates currently applicable to MAWC's Cedar Hill Service Area and to utilize the rules governing the rendering of sewer service currently found in MAWC's sewer tariff P.S.C. MO

No. 26, until such time as the rates and rules are modified according to law.

22. The current water and sewer rates for Ironton are as follows:

Current Rates

Water (per Ironton City Ordinance passed in September 2022)

Inside City Limits

Connection (Base Rate)..... \$21.42

Usage Charge (per 1000 gallons)..... \$6.96

Outside City Limits

Connection (Base Rate)..... \$42.84

Usage Charge (per 1000 gallons)..... \$13.90

Sewer (per Ironton City Ordinance passed in September 2022)

Inside City Limits

Connection (Base Rate)..... \$3.75

Usage Charge (per 1000 gallons)..... \$3.50

Outside City Limits

Connection (Base Rate)..... \$7.50

Usage Charge (per 1000 gallons)..... \$6.96

PUBLIC INTEREST

23. The grant of the requested CCN (and approval of the underlying transaction) is in the public interest and will result in the provision of regulated water and sewer service to the current and future residents of the service area. The water and sewer assets of Ironton 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 water and sewer systems currently being operated in and around the City of Ironton.

24. The City of Ironton water and sewer customers will benefit from this acquisition for various reasons, which include the need for investment to replace aging infrastructure, the need for investment to maintain compliance with existing and new regulations, to relieve the responsibility of operating and maintaining systems in the face of ever-increasing complexity and liability and the desire to maintain affordability.

MOTION FOR WAIVER

25. Commission Rule 20 CSR 4240-4.017(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 Application. As such, and to the extent required, MAWC seeks a waiver of the 60-day notice requirement.

26. Rule 20 CSR 4240-4.017(1)(D) provides that a waiver may be granted for good cause. In this regard, MAWC declares (as verified below) that it has had no communication with the Office of the Commission (as defined by Commission Rule 20 CSR 4240-4.015(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 20 CSR 4240-4.017(1) and acceptance of this Application at this time.

WHEREFORE, MAWC requests the Commission issue an order:

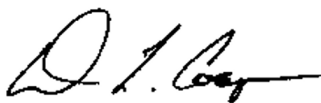
1. Granting MAWC permission, approval and a Certificate of Convenience and

Necessity authorizing MAWC to install, acquire, build, construct, own, operate, control, manage and maintain water and sewer systems for the public within the areas referred to above;

2. Granting MAWC permission to acquire the water and sewer assets identified herein of the City of Ironton, Missouri; and,

3. Authorizing MAWC to take such actions as may be deemed necessary and appropriate to accomplish the purposes of the *Purchase Agreement* and the Application and to consummate related transactions in accordance with the *Purchase Agreement*.

Respectfully submitted,



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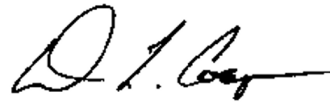
**ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 22nd day of June 2023, to:

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

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



VERIFICATION

State of Missouri)
) ss
County of St. Louis

I, Timothy W. Luft, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice-President - Legal 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 be 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 20 CSR 4240-4.015(10) within the immediately preceding 150 days regarding the subject matter of this Application.



List of Appendices

Appendix A	Ordinance Establishing Election
Appendix B	Town Hall Documentation
Appendix C	Purchase Agreement
Appendix D1	Legal description – Water
Appendix D 2	Legal description - Sewer
Appendix E 1	Map - Water
Appendix E 2	Map - Sewer
Appendix F-C	List of Ten Residents
Appendix G	Appraisal
Appendix H	Engineering Report
Appendix I-C	Feasibility Study – Water
Appendix J-C	Feasibility Study – Sewer
Appendix K	Integration K-1 K-2 K-3 K-4