

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a hearing of the Public Service
Commission, held at Jefferson City,
Missouri, on the 30th day of
May, 1980.

In the matter of the application)
of Water's Edge Sewer Company)
for permission and approval and)
for a certificate of convenience)
and necessity authorizing it to)
construct, install, own, operate,)
control, manage and maintain a)
sewer system for the public)
located in an unincorporated area)
in Boone County, Missouri.)

CASE NO. SA-80-208

BEFORE:

THOMAS S. HYATT, Presiding,
HEARING EXAMINER.

REPORTED BY:

Sally B. Harmon
Jan A. Williams

APPEARANCES:

RAYMOND C. LEWIS, JR., Attorney,
901 E. Broadway,
Columbia, Missouri 65201,

FOR: APPLICANT:
WATER'S EDGE SEWER COMPANY.

THOMAS M. SCHNEIDER, Attorney,
P. O. Box N,
Columbia, Missouri 65205

FOR: INTERVENOR:
CITY OF COLUMBIA, MISSOURI.

STEPHEN C. SCOTT, Attorney,
11 N. 7th Street,
Columbia, Missouri 65201,

FOR: INTERVENOR:
BOONE WATER & WASTE CO., INC.

WILLIAM C. HARRELSON,
Assistant General Counsel,
P. O. Box 360,
Jefferson City, Missouri, 65102,

FOR: STAFF OF THE MISSOURI PUBLIC
SERVICE COMMISSION.

P R O C E E D I N G S

(Written Entries of Appearance Filed.)

(APPLICANT'S EXHIBITS NOS. 1 AND 2 WERE
MARKED BY THE REPORTER FOR IDENTIFICATION.)

EXAMINER HYATT: This hearing of the Public
Service Commission of Missouri shall come to order.

The Commission has set for hearing at this
time Case No. SA-80-208 in the matter of the application of
Water's Edge Sewer Company for permission and approval for
a certificate of convenience and necessity authorizing it
to construct, install, own, operate, control, manage, and
maintain a sewer system for the public located in an
unincorporated area in Boone County, Missouri.

Each party may at this time make its entry
of appearance for the record, beginning with the applicant
and then continuing on to the Staff and the intervenors.

MR. LEWIS: Raymond C. Lewis, Jr., from
Columbia, attorney for the applicant.

MR. HARRELSON: William C. Harrelson,
attorney for the Staff of the Missouri Public Service
Commission.

EXAMINER HYATT: Well, why don't you give
your addresses, et cetera.

MR. LEWIS: 901 East Broadway, Columbia, 65201.

MR. HARRELSON: P. O. Box 360, Jefferson City,
Missouri.

1 MR. SCHNEIDER: Tom Schneider, Assistant City
2 Attorney for the City of Columbia, Missouri, intervenor;
3 Post Office Box N as in Nora.

4 MR. SCOTT: Stephen C. Scott, 11 North 7th
5 Street, Columbia, Missouri 65201, attorney for Intervenor
6 Boone Water & Waste Treatment Company, Incorporated.

7 EXAMINER HYATT: At this point are there any
8 other motions or formal matters to be handled at this time?

9 MR. LEWIS: No.

10 EXAMINER HYATT: It appearing that there are
11 no such motions or other formal matters to be handled at this
12 time, I would like now to ask the applicant whether he wishes
13 to make an opening statement.

14 MR. LEWIS: I don't think it will be necessary,
15 your Honor, unless you would like to have one.

16 EXAMINER HYATT: I don't particularly have
17 any inclination one way or the other. If you think it is
18 necessary. . . .

19 MR. LEWIS: I might just want to give a very
20 brief one. I know we are pressed for time to get through
21 this today.

22 The applicant corporation, Water's Edge Sewer
23 Company, is represented here by Mr. Dan Hagan, basically a
24 solely owned corporation, has an application here to estab-
25 lish a sewer system at the end of the city of Columbia in an

1 unincorporated area. Mr. Hagan is in the business of various
2 types of development, and at the present time is developing
3 a subdivision in the area that's included in the proposed
4 service area that would consist of about 161 lots.

5 All of these lots have now been finally
6 platted. Most of the streets are cut in, and some of the
7 streets are in curb and gutter, and probably a half to a
8 third of the various utilities are in, as we'll cover in
9 more detail in the evidence.

10 He has eight houses that are actually under
11 roof in the process of construction. Because of that he is
12 in urgent need for the construction of sewer facilities to
13 serve this area.

14 Way back in November he attended a meeting
15 in which various agencies interested in sewage: The city of
16 Columbia, Boone County Sewer District, the Clean Water--or
17 the Department of Natural Resources, various other persons
18 were present. And it was pointed out at that time by the
19 city, which now has just sought to intervene in the last
20 week, that the city did not have the capability to serve
21 this area.

22 At least three points were raised by the city
23 why it did not have the capability. Number one, they did
24 not have trunk sewers into the area and had no immediate
25 plans to extend trunk sewers into the area. Number two,

1 they did not have at that time the capacity to treat the
2 sewage if they did have the trunk sewers. And number three,
3 they would have difficulty with funding in that if they took
4 the funding monies and expended it on areas outside of the
5 city for which they had obtained the funding for problems
6 inside the city, it would cause them difficulties with their
7 funding.

8 So it was quite apparent that it was not
9 possible for there to be any reasonable solution through the
10 city of Columbia, at least in the foreseeable future.

11 Mr. Hagan then decided that he would proceed
12 to get a sewer approval for his own subdivision, but he
13 found that he was under a considerable pressure from the
14 Boone County Sewer District and the Department of Natural
15 Resources to take on a larger project because two adjoining
16 subdivisions had sewer systems that were undersized, over-
17 loaded, putting effluent out, were not up to standard, and
18 were either unable or unwilling to meet standards.

19 So he was urged and pressured by the Depart-
20 ment of Natural Resources and Boone County Sewer District
21 and homeowners in the area and so forth to undertake a larger
22 project. And accordingly he did. He has therefore filed an
23 application that encompasses not only his own subdivision
24 and a small tract that he owns in his own name, but also two
25 adjoining subdivisions which are in various stages of develop-
ment.

1 There is an urgent need for sewage treatment
2 in this area both because of the imminence of construction
3 that is going on now or planned in the immediate future and
4 also because of the bad situation that exists in respect to
5 the two adjoining sewer systems.

6 The details of the plan, of course, would be
7 gone into in the evidence. But it would be our position
8 that there is a very urgent need for this service out there.
9 It's not being met by any other agency, and it's not being
10 met by the people who are attempting to serve the adjoining
11 subdivisions.

12 EXAMINER HYATT: I have one question. You
13 mentioned that certain statements were made by the city.

14 MR. LEWIS: Yes.

15 EXAMINER HYATT: You said this was at a hear-
16 ing?

17 MR. LEWIS: This was at a meeting. I don't
18 think it was a formal hearing. I think it was a hearing
19 that was held by various interested groups discussing the
20 sewer situation in that area generally.

21 This position taken by the city back there in
22 November was continued through a subsequent meeting in January.
23 And in fact the city of Columbia has never at any time ever
24 proposed any or offered any sewage facility to this area.
25 And it was only in the last week that we obtained their

1 notice of intervention--

2 EXAMINER HYATT: Are you raising--will you
3 present any evidence that there's any positions taken by the
4 city to consider them relevant here is what I'm saying?

5 MR. LEWIS: Yes, sir, because I think they
6 would be admissions--

7 EXAMINER HYATT: Obviously it's off the
8 record and unsworn testimony you are referring to unless
9 there's going to be some introduction. There aren't going
10 to be any rulings now. I'm just interested if you're going
11 to--

12 MR. LEWIS: No, my point there is that I
13 think those would be admissible as admissions against the
14 intervenor and also as bearing on the reasons why Mr. Hagan
15 took the actions which he took.

16 EXAMINER HYATT: Will you present any
17 particular witnesses under oath testifying as to exactly
18 what was said?

19 MR. LEWIS: Yes, sir.

20 EXAMINER HYATT: Okay. Now, does the Staff
21 wish to make any opening statement?

22 MR. HARRELSON: No, your Honor.

23 EXAMINER HYATT: Do any of the intervenors
24 wish to make any opening statements?

25 MR. SCHNEIDER: No.

1 MR. SCOTT: No.

2 EXAMINER HYATT: I would now direct the
3 applicant to call his first witness.

4 MR. LEWIS: Applicant would call as his first
5 witness, Dan Hagan.

6 (Witness sworn.)

7
8 DAN HAGAN testified as follows:

9 DIRECT EXAMINATION BY MR. LEWIS:

10 Q State your name, please.

11 A Dan Hagan.

12 Q How old are you?

13 A Thirty.

14 Q Where do you live?

15 A Columbia, Missouri.

16 Q What is your business or occupation?

17 A I am a businessman, developer.

18 Q And you are here as a representative of the
19 Water's Edge Sewer Company; is that correct?

20 A Yes, I am.

21 Q Is that applicant a Missouri corporation?

22 A Yes, it is.

23 Q Is it a Missouri corporation currently in
24 good standing with the Office of the Secretary of State?

25 A Yes, it is.

1 Q Have you filed with your application a copy
2 of your articles as required?

3 A Yes, we have.

4 MR. LEWIS: We would ask the Hearing Examiner
5 to officially note the presence in the file of such articles.
6 BY MR. LEWIS:

7 Q How much experience have you had or what
8 types of experience have you had in the area of building
9 and developing? Without going into a great deal of detail.

10 A In the last year and a half we have platted
11 and followed through the necessary formalities of getting
12 Water's Edge Subdivision finally platted. That includes
13 engineering, feasibility studies, things of that nature.

14 Q Keep your voice up.

15 A Water's Edge Subdivision has a 25-acre lake
16 that's now in existence. It has a smaller seven-acre lake;
17 it has a smaller pond; it has 161 half-acre lots. It has
18 about two miles of streets that will be cut in or not cut in.

19 Q I'm going to cover the status of your
20 particular subdivision in more detail, but what other
21 experience have you had in the development field? Have you
22 done anything else?

23 A I have been involved in apartment complex
24 development, 112-unit project. I am now in the process of
25 starting an office park in Columbia on 12 acres off of

1 Vandiver Drive.

2 I previously have been involved in the
3 construction of a 40,000-foot GSA office building off of
4 Vandiver Drive. All of this has taken place in the last
5 couple, three years.

6 Q In respect to the applicant corporation, you
7 are a shareholder?

8 A Yes, I am.

9 Q Are you the principal shareholder?

10 A Yes, I am.

11 Q What percentage of the stock do you own?

12 A Seventy-nine percent.

13 Q How many directors are there in the
14 corporation?

15 A One director.

16 Q You are that director?

17 A Yes, I am.

18 Q You are also the president?

19 A Yes, I am.

20 Q So you are able to speak fully for the
21 applicant corporation?

22 A Yes, I can.

23 Q Is the sewer authority that you seek in this
24 application, is the proposed service area located in any
25 incorporated area?

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A. No, it is not.

Q What is the nearest town or city?

A. Columbia, Missouri.

Q What direction from Columbia does your proposed service area lie?

A. To the east.

Q In what county does it lie?

A. Boone County.

Q How far from the outer city limits of the city of Columbia is your proposed service area?

A. My subdivision abuts the city limits.

Q Your own subdivision? Or when I say you--

A. Yes.

Q If I use the term "you," you understand I'm talking about your corporation?

A. Yes.

Q What is the name of your subdivision?

A. Water's Edge Estates.

Q That subdivision borders the--

A. City limits of Columbia.

Q But it is also all outside the city of Columbia?

A. Yes.

Q Is all of the service area outside of the city of Columbia?

1 A Yes, it is.

2 Q Now, am I correct in stating that the service
3 area that's sought to be served by this application consists
4 generally of four ownerships?

5 A Yes, that's correct.

6 Q What are those ownerships?

7 A Water's Edge Estates Incorporated.

8 Q And that is your subdivision?

9 A Yes.

10 Q How many acres does that consist of?

11 A Approximately 110 acres.

12 Q That's one ownership. What other ownership
13 is there?

14 A Dan Hagan personally.

15 Q You personally own a tract in the proposed
16 service area?

17 A Yes.

18 Q How big is that tract?

19 A Approximately ten acres.

20 Q What is the third ownership included?

21 A Lakeland Acres.

22 Q Approximately how many acres are there in
23 Lakeland Acres?

24 A In total approximately 150, 160.

25 Q Who is the principal involved in that develop-
ment?

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A E.D.W. Incorporated.

Q That is a corporation?

A Yes, it is.

Q Is the E.D.W. Incorporated also--is there a principal behind that or an individual?

A Yes.

Q Who is that?

A Ed Welch.

Q And then what is the fourth ownership?

A Lakewood Estates.

Q And approximately how many acres is involved in the Lakewood Estates area?

A Approximately 50 acres.

Q And the principal involved in that is Ken Flood?

A Ken Flood, yes.

Q And the Lakewood Estates currently has a sewer service under the name of a company, does it?

A Yes.

Q What is the name of that company?

A Boone County Sewer and Waste Company.

Q And that is one of the intervenors here, is it not?

A Yes.

Q Now, you of course personally consent to the inclusion of your own ten-acre tract?

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A. Yes.

Q In respect to that ten-acre tract, are there any houses on it?

A. Yes.

Q How many?

A. Five.

Q But it is not under development, is it?

A. No.

Q Will it be under development at some time in the foreseeable future?

A. Yes.

Q In respect to your subdivision, Water's Edge Estates, you said had approximately 110 acres. And of course you can consent on behalf of the corporation to inclusion of that area in the application?

A. Yes.

Q What is the status of the development of your own subdivision, Water's Edge Estates? You mentioned awhile ago that all of the land was now platted.

A. Yes.

Q How many lots did that platting result in?

A. 161.

Q Could you give us in tracts or percentages some idea of the extent to which sewers have been installed?

A. Sewers have been installed in probably one-third.

1 Q Could you give us in the same manner an
2 estimate of the degree to which roads have been cut in?

3 A Roads have been cut in probably for about
4 one-half.

5 Q And you mentioned that you built a large lake?

6 A Yes.

7 Q Is the dam completed?

8 A Yes, it is.

9 Q Is the lake filled or filling?

10 A It's filled.

11 Q What would be the status in respect to
12 electricity and telephone?

13 A Probably a fourth to a third of the lots have
14 been served underground utilities.

15 Q What about the presence of water?

16 A Same.

17 Q What about, have you installed any curbs and
18 gutters in the streets that you have cut in?

19 A Yes.

20 Q Approximately what--

21 A About one-half mile.

22 Q Have you sold off any lots in this subdivision?

23 A Yes, I have.

24 Q How many?

25 A Sixteen.

1 Q And do you have any houses under construction
2 in this subdivision?

3 A Yes, we do.

4 Q How many?

5 A Eight.

6 Q At what stage of construction are these
7 eight houses?

8 A One house is completed, seven others are
9 roofed and will be completed within the next few weeks.

10 Q Are there any sewer facilities available for
11 these eight houses?

12 A Not presently.

13 Q Is there any urgent need for sewers for these
14 houses?

15 A Yes, there is.

16 Q Now, these are houses that have already been
17 sold to other persons or these lots?

18 A Five of the houses have been sold.

19 Q So the persons purchasing those houses are
20 going to have houses without sewage facilities?

21 A That's true.

22 Q Unless something is done, correct?

23 A Yes.

24 Q Now, before you began your route through the
25 Public Service Commission, did you first learn of the

1 attitude of the city in respect to availability of city
2 sewage treatment in the area?

3 A I'm sorry. When?

4 Q Prior to your getting involved with making
5 an application to the Public Service Commission, did you
6 determine whether there was a possibility of being sewered
7 by the city?

8 A Yes. At the time the city had no sewer
9 service available.

10 Q Did you attend a meeting, in fact, that was
11 related to sewer service in this general area?

12 A Yes, I did.

13 Q In what month was that meeting held?

14 A November.

15 Q Of what year?

16 A '79.

17 Q Do you recall who was present at that meeting?

18 A Yes, I do. Representatives from the Depart-
19 ment of Natural Resources, city of Columbia; members from
20 the Boone County Sewer District Board of Trustees; owners or
21 representatives of owners of Lakewood Estates, Lakeland Acres,
22 Water's Edge Estates.

23 Q Did you determine at that meeting whether or
24 not the city had any trunk sewers either located in that area
25 or proposed to be extended into the area?

1 A Yes, we did.

2 Q What did you learn?

3 A There were no trunk sewers in the area.

4 There was no immediate plans to extend the trunk sewers to
5 the area.

6 Q Were you told anything by any representative
7 of the city concerning the capacity of the city of Columbia
8 to treat the sewage even if the trunk sewers existed?

9 A Yes. The present treatment systems the city
10 has, from my understanding, and I was informed at the
11 meeting that they were currently overloaded but they were
12 building a large treatment facility, but it would be a few
13 years before it would be able to pick up the system.

14 Q In other words, they would not have the
15 treatment capacity until the new plant was finished?

16 A That's correct.

17 Q Was anything told you at that meeting by
18 representatives of the city concerning funding problems that
19 would arise from attempts to serve this area?

20 A Yes, there was.

21 Q What was that?

22 A Basically that by expending funds for city
23 use to bring in unincorporated areas or areas in the county
24 might jeopardize future funding.

25 Q Did you attend a later meeting of somewhat

1 the same group?

2 A Yes, I did.

3 Q When was that held?

4 A I have to check here. That was held in
5 January.

6 Q Of 1980?

7 A Yes.

8 Q Was there someone there from the city at that
9 time?

10 A Yes, there was.

11 Q Was anything indicated by any representative
12 of the city at that meeting to indicate any change in their
13 position?

14 A No.

15 Q At any time since the first meeting in
16 November of 1979, has the city of Columbia ever indicated to
17 you that it had the capability or capacity of providing you
18 with sewer service in this area in the near future?

19 A No.

20 Q Was the first knowledge you had of intervention--
21 was the first knowledge you had of the city's objection or
22 notice of intervention in this matter?

23 A I'm sorry.

24 Q I said, was the first knowledge that you had
25 of the city's objection to your application their notice of
intervention?

1 A Yes.

2 EXAMINER HYATT: I have a question. Concern-
3 ing your statements that certain city representatives at the
4 November 1979 meeting and again at the January 1980 meeting
5 made certain representations to you--

6 WITNESS HAGAN: Yes.

7 EXAMINER HYATT: --concerning the city's ability
8 and/or willingness to provide sewage treatment services to
9 this area in question, can you remember either any of the
10 specific names of these city representatives and/or their
11 positions with the city?

12 WITNESS HAGAN: Ray Beck was the city
13 representative at both meetings.

14 BY MR. LEWIS:

15 Q What position does Mr. Beck occupy in the
16 city of Columbia?

17 A Director of Public Works.

18 Q Is he the official in the city of Columbia
19 who is charged with the responsibility with respect to sewers?

20 A Yes. The comments made by Mr. Beck were made
21 before all the members at the meeting.

22 Q But they were made either to you or in your
23 presence?

24 A Yes.

25 EXAMINER HYATT: Was he the sole speaker of

1 these statements?

2 WITNESS HAGAN: Yes.

3 BY MR. LEWIS:

4 Q Now, when you prepared to make an application
5 to the Public Service Commission, or you started your
6 initial conversations with the Department of Natural Resources,
7 for what area did you intend initially to obtain service?

8 A Solely for Water's Edge Estates Subdivision.

9 Q For your own subdivision?

10 A Yes.

11 Q What caused you to change your mind?

12 A Conversations with the Department of Natural
13 Resources' representatives.

14 Q What was the essence of the conversations you
15 had with the Department of Natural Resources?

16 A They were concerned about the facility
17 upstream at Lakeland Acres. The system was undersized and
18 overcapacity and the effluent was not to the required
19 standards and there was also a problem with the treatment
20 facility located in Lakewood Estates.

21 Because of the terrain and the location of my
22 proposed location, my facility, they thought it might be
23 feasible to connect all three subdivisions into a community
24 facility. And they strongly suggested that we look into
25 that as a possibility before pursuing our own.

1 Q Your subdivision adjoins Lakeland Acres, does
2 it not?

3 A Yes, it does.

4 Q And also adjoins Lakewood Estates?

5 A Yes, it does.

6 Q And Lakeland Acres and Lakewood Estates are
7 the other two ownerships you mentioned awhile ago as
8 comprising two of the four ownerships covered by your
9 proposed service area?

10 A Yes.

11 Q Did you receive any urging from any other
12 body besides the Department of Natural Resources?

13 A The Public Service Commission. They both had
14 similar interests, concern to clean up the area and implement
15 one large facility that would serve all three subdivisions.

16 Q How about the Boone County Sewer District?

17 A Boone County Sewer District Board of Trustees,
18 they also were interested in seeing all the sewage treatment
19 facilities combined into one.

20 Q As a result of the urging of these various
21 bodies, did you therefore submit your application to cover
22 all four ownerships that you discussed?

23 A Yes.

24 Q Now, in respect to Lakeland Acres, I believe
25 you said that's the one that's owned by E.D.W., Inc.?

1 A. Yes.

2 Q And that is the one in which you said
3 Mr. Welch was the principal behind that corporation?

4 A. Yes.

5 Q Have you obtained a written consent from that
6 ownership in respect to the relief prayed for in your
7 application herein?

8 A. Yes.

9 Q I'll hand you what's been marked Applicant's
10 Exhibit No. 1 and ask you if this is a photocopy of an
11 originally filed document with the Public Service Commission
12 filed this morning, being the document you obtained from
13 the E.D.W. corporation?

14 A. Yes, it is.

15 MR. LEWIS: I'll offer in evidence Applicant's
16 Exhibit No. 1. I might invite the attention of your Honor
17 to the fact that that is actually a copy of an original
18 document which was made as a formal filing this morning and
19 will be in the file.

20 EXAMINER HYATT: Right, I have the file.

21 BY MR. LEWIS:

22 Q So in respect to your own property that's in
23 your personal name and your own subdivision, the Water's
24 Edge Estate, and the E.D.W. which is the Lakeland Acres,
25 there is no objection from anyone that you are aware of?

1 A No.

2 Q So the only objection you are aware of is in
3 respect to the Lakewood Estates, which Mr. Ken Flood is the
4 principal?

5 A Yes.

6 Q You have described to the Hearing Examiner
7 the state of development of your subdivision. Is work
8 actively going on out there? You mentioned the percentage or
9 fraction of which roads and sewers and streets and various
10 things like that were being worked on. Is work continuing
11 on these various activities?

12 A Yes, it is.

13 Q Are the rest of these 161 lots ready to be
14 developed and sold as you complete the utilities?

15 A Yes, they are.

16 Q I suppose this would be more appropriate for
17 the testimony of the engineer, but does the plant which you
18 are planning have the capacity to handle these other two
19 systems?

20 A Yes, it does.

21 Q Has the applicant corporation, the Water's
22 Edge Sewer Company, acquired a tract of real estate for the
23 construction of this facility?

24 A Yes, it has.

25 Q Is that a .195 acre tract that was conveyed

1 from Water's Edge Estates to Water's Edge Sewer Company in
2 February 1980?

3 A Yes, it is.

4 Q That instrument is recorded in the deed
5 records of Boone County, Missouri, Book 471, Page 877, is it
6 not?

7 A Yes, it is.

8 Q In the opinion of your consultants, in your
9 opinion is that tract adequate and suitable for the
10 construction of the plant?

11 A Yes, it is.

12 Q Did you hire an engineering consultant to make
13 a feasibility study for you?

14 A Yes.

15 Q In connection with this application?

16 A Yes.

17 Q Is that study attached to your application
18 herein?

19 A Yes, it is.

20 MR. LEWIS: I invite or ask the Hearing
21 Examiner to take official notice of the feasibility study
22 attached to the petition.

23 BY MR. LEWIS:

24 Q What is the name of your consulting engineer?

25 A James W. Brush.

1 Q Is he present today to testify in person in
2 respect to the issues in this matter?

3 A Yes, he is.

4 Q Did you investigate whether or not the Boone
5 County Court issues franchises for sewer construction in
6 Boone County?

7 A Yes, I did.

8 Q What did you find out?

9 A They do not.

10 Q Did you obtain a letter from the county court
11 to that effect?

12 A Yes, I did.

13 Q Have you attached that letter to your
14 application?

15 A Yes, I have.

16 MR. LEWIS: We would ask the Hearing Examiner
17 to take official notice of the letter in the application by
18 which the Boone County Court makes a statement that it does
19 not issue franchises in Boone County.

20 BY MR. LEWIS:

21 Q Now, at the time you filed your permit you
22 had not yet received your construction permit from the
23 Department of Natural Resources, had you?

24 A I'm sorry.

25 Q At the time you filed your application with

1 the PSC you had not yet received your construction permit
2 from the Department of Natural Resources?

3 A. That is correct.

4 Q. Have you since received it?

5 A. Yes, I have.

6 Q. Would you tell me approximately when it was
7 issued?

8 A. May 12.

9 Q. Of 1980?

10 A. Yes,

11 Q. Are there any governmental bodies, any
12 municipalities or governmental sewer districts that are
13 rendering services in the proposed service area?

14 A. No.

15 Q. Other than the Boone Water & Waste?

16 A. Yes.

17 Q. Other than the Boone Water & Waste Company,
18 are there any other utilities operating or rendering any
19 service within the proposed service area?

20 A. No.

21 Q. In your opinion is it possible to proceed
22 with development of this area in not only your subdivision
23 but other subdivisions that you have included in the service
24 area without making immediate provisions for sewer service?

25 A. No.

1 Q Do you know of any plans by any other
2 governmental agency or any other agency of any type to
3 provide in the foreseeable future the necessary sewer service
4 for this need?

5 A No.

6 Q Who will be the operator of the facility
7 when it is complete?

8 A We'll contract with a professional firm to
9 operate and maintain the facility.

10 Q In the event that you should hire an
11 individual, are you ready, willing, and able to send the
12 proposed operator to the necessary classes or courses to
13 enable him to obtain an operator's permit or license?

14 A Yes, I am.

15 Q Have you obtained already bids from potential
16 operators?

17 A Yes, I have.

18 Q Where will the office be for the Water's
19 Edge Sewer Company?

20 A 1701 Lake of the Woods Road.

21 Q Is that in Columbia?

22 A Yes, it is.

23 Q In the city limits or near Columbia?

24 A I'm sorry, it's within the subdivision.

25 Q It's a Columbia address but outside the city?

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A. Yes.

Q. Is it within the Water's Edge Subdivision?

A. Yes, it is.

Q. So it would be within the proposed service area?

A. Yes.

Q. Will there be a number that can be called on a 24-hour a day basis?

A. Yes, there will.

Q. Who will handle complaints if there are any complaints?

A. Myself personally.

Q. I assume that would be the case unless you, as you indicated, hire a professional management firm?

A. Yes.

Q. Even if you hire a professional management firm, will you continue to oversee the operations of the firm to see that they properly perform their duties?

A. Yes, I will.

Q. Where will customers be able to pay their bills?

A. 1701 Lake of the Woods Road.

Q. Will you keep continuing property records so that it will be possible at all times for an appropriate agency with jurisdiction to determine which lots are owned

1 and which are sold and what the status of the various
2 development is in the area?

3 A Yes, I will.

4 Q Will the financial records that you keep with
5 respect to the sewer system be kept in accordance with
6 uniform accounting procedures?

7 A Yes, they will.

8 Q Are you willing to list the phone number that
9 customers can call on your billing and also to submit your
10 billing form to the Public Service Commission?

11 A Yes, I will.

12 Q Is your corporation ready, willing, and able
13 to serve the area requested within the proposed district?

14 A Yes.

15 Q And I believe you already indicated in your
16 application that if for any reason the Public Service
17 Commission should see fit not to grant a service area that
18 would include the Lakewood Estates, that you would neverthe-
19 less be willing to proceed with the remaining service area?

20 A Yes.

21 Q And to provide the same equivalent service
22 that you had planned for the entire service area?

23 A Yes.

24 Q Then do you believe that the operation that
25 you are undertaking is economically feasible?

1 A Yes.

2 MR. LEWIS: I believe that's all I have.

3 EXAMINER HYATT: Okay. Let's see, does the
4 Staff wish to cross-examine this witness?

5 MR. HARRELSON: I have a few questions.

6 EXAMINER HYATT: Go right ahead.

7 CROSS-EXAMINATION BY MR. HARRELSON:

8 Q Mr. Hagan, have you approached any particular
9 professional operator for operating and maintaining this
10 plant?

11 A Yes, I have.

12 Q Would you tell me who that is?

13 A Vern Stump with Mid-Missouri Engineers.

14 Q Do you know right now what phone number would
15 be available for customers to call in complaints?

16 A Yes.

17 Q Do you know what that phone number is?

18 A 474-4815.

19 Q Mr. Lewis asked you about keeping certain
20 property records regarding the development of your subdivision.
21 The Public Service Commission is also concerned with keeping
22 track of contributed property as opposed to investor-funded
23 property.

24 Would you be willing to keep accurate property
25 records in regard to who has made the expenditure for such

1 property and what that expenditure is, in conformance with
2 the Uniform System of Accounts for public utilities?

3 A Yes.

4 Q Would you be willing to submit a tariff
5 within 30 days of the date of this hearing proposing the
6 rates that would be in effect for your certificated area
7 and the rules and regulations that would be in effect
8 regarding service connection?

9 A By a tariff, you mean what?

10 Q A tariff is a formal document which has the
11 force of law when filed and approved by the Commission and
12 governs what your charges can be, when you can disconnect,
13 what the charge will be for connecting, and various other
14 services.

15 A Within 30 days from approval?

16 Q Within 30 days of the date of this hearing.

17 A Yes, we could.

18 Q I believe you said this, but to make it
19 perfectly clear, if this certificate is granted but it is
20 granted exclusive of the certificated area now served by
21 Boone Water & Waste Company, would you nevertheless build
22 the plant as proposed?

23 A Yes.

24 Q And you would be willing to carry the costs
25 of building that plant until such time as there were customers

1 coming on line you could pass that cost on to?

2 A Yes.

3 Q And that includes maintenance and operation?

4 A Yes.

5 MR. HARRELSON: That's all the questions I have.

6 EXAMINER HYATT: Okay. Now, I'm going to
7 take the intervenors in order of their date of filing. I
8 believe the city filed its application to intervene first.

9 Therefore, would the city have any cross-
10 examination for this witness?

11 MR. SCHNEIDER: I don't think so.

12 EXAMINER HYATT: Does Boone Water & Waste
13 Treatment Company, the other intervenor, have any cross-
14 examination for this witness?

15 MR. SCOTT: Yes, I do, your Honor. It's my
16 understanding in this proceeding there's wide-open cross-
17 examination.

18 EXAMINER HYATT: You are not limited to the
19 scope of the direct, sir, if that's what you mean.

20 MR. SCOTT: A substantial number of my
21 questions would be directed toward the objections that my
22 client would have to Water's Edge serving in my client's
23 area. I think it would be most expeditious if I would
24 proceed with those at this time. Is that acceptable?

25 EXAMINER HYATT: I don't have any particular

1 objections, as I stated. The rules of evidence that apply
2 to this Commission state that you are not limited to the
3 scope of direct. Whether your questions are otherwise
4 objectionable, I'm not to say.

5 MR. SCOTT: I understand that. I'm saying--

6 MR. HARRELSON: I have no objection to that
7 manner of proceeding.

8 MR. LEWIS: No.

9 EXAMINER HYATT: You may proceed with that
10 line of questioning now, if you wish, sir.

11 CROSS-EXAMINATION BY MR. SCOTT;

12 Q Mr. Hagan, are you familiar with the
13 feasibility study that was filed with your application in
14 this matter?

15 A Yes, I am.

16 Q And you are aware of all the numbers and
17 projections that appear therein with respect to the capacity
18 of your treatment plant and the various cost estimates for
19 construction and where the money is going to come from?

20 A Yes, I am.

21 Q Now, it's my understanding that from looking
22 at those figures--correct me if I'm wrong--that you have a
23 projection of--well, a current number of units in the Lakewood
24 Estates area of 109 units, projected to add another 50 or 40.
25 I'm not clear on that. Is it 50 or 40 that you are going to

1 add on to this 109?

2 A Over a period of five years?

3 Q Yes.

4 A Fifty.

5 Q So Lakewood Estates then would end up with
6 a total of 159?

7 A Yes.

8 Q Are you aware of what the ultimate potential
9 development is in the Lakewood Estates area in terms of the
10 number of units?

11 A We looked at the existing development and
12 projected based on the current density of what we thought the
13 projected build-out would be.

14 Q Assume for a moment that the 159 capacity
15 that you would provide for according to your projections is
16 not sufficient for the developers of the Lakewood Estates
17 area. Assume for a moment that they ultimately plan to total
18 250 to 300 units. What would be your plans and intentions
19 with respect to supplying sewer service for that number of
20 units in the Lakewood Estates area?

21 A We would provide capacity as required by the
22 three subdivisions. If the capacity of the new plant is
23 reached, we would build an additional plant next to it. We
24 have sufficient ground and room to do so.

25 Q And how would you propose to finance that
expansion?

1 A If the initial plant is operating at capacity
2 there would be ample funds from operations to go ahead and
3 start the other plant.

4 Q You are saying out of current revenue at the
5 time?

6 A Based on the current rates that we need now
7 to operate at a diminished capacity or at such a low level,
8 the cost would be higher. But as it becomes more fully
9 loaded, the revenues will increase and, you know, there
10 would be more justification for a new plant.

11 Q Now, in the financing scheme you indicated a
12 contribution from Lakeland Acres of \$25,000; is that correct?

13 A Yes.

14 Q And how was that money to be paid? Who is
15 going to pay it? Is it to be paid up front?

16 A That would be paid by the developer under our
17 assumption, yes.

18 Q Is this something that's been worked out with
19 Mr. Welch?

20 A Yes.

21 Q Now, you also show a contribution from
22 Lakewood Estates and Lakewood Villa in the amount of \$40,000.

23 A Yes.

24 Q How do you expect that that is going to be
25 paid?

1 A We again assume the developer would pay that
2 contribution.

3 Q So it was not assumed that you would attempt
4 to go after the owners of the 109 existent units there and
5 try to obtain something on the order of \$366 from each of
6 them?

7 A In our original assumption we assumed that
8 the initial owners have already paid for the sewage facilities
9 in the purchase of their homes or lots.

10 Q So you are assuming that the developer of
11 whatever else remains to be developed in the Lakewood Estates
12 area will pay that 40,000?

13 A Yes.

14 Q Now, you provide for a loan secured by the
15 plant and land in the amount of \$30,000, correct?

16 A Yes.

17 Q You indicate that's to be paid at approximately
18 12 percent interest over 15 years.

19 A At the time this was originally prepared, yes.

20 Q What is the current projection on that?

21 A Well, the interest has changed somewhat, but
22 the principal would remain the same.

23 Q What do you believe the interest will be at
24 this time?

25 A It's been changing so fast it might be 12

1 percent again in another week.

2 Q Still plan to pay it out over 15 years?

3 A Yes.

4 Q How are you going to recover that loan? Is
5 that going to be like a bank loan you go get from a traditional
6 lender? Is that something you are going to loan to the
7 system personally? Or how is that going to work?

8 A Would be one of the two.

9 Q In your cost structure you have provided for
10 elements of including land at 10,000; engineering, 8,000;
11 legal and administrative, 6,000; totaling 24,000 ~~altogether~~;
12 is that correct?

13 A I don't have that copy with me. It's on the
14 desk there. That sounds correct.

15 Q Okay. You would be willing to concede, would
16 you not, that the Lakewood Estates, for instance, for the
17 most part with respect to the existing development, already
18 paid those types of costs?

19 A What types of costs?

20 Q Acquisition of land, engineering, legal,
21 whatever it takes to get a sewer system developed.

22 A A large part of the legal and engineering have
23 to do with backing up. We initially had completed plans for
24 our own treatment facility required for Water's Edge.

25 When the DNR and PSC and Boone County District

1 Board suggested we look into the alternatives, then we
2 expended substantial funds in engineering to both of these
3 subdivisions, to the Caruthers downstream manhole. That
4 involved shooting the elevations so that we could be sure
5 we could pick them up on a gravity flow system, going through
6 and checking documentation to determine the acreages involved
7 and the ownerships, things like that. So these costs are not
8 strictly just for Water's Edge. That includes everything
9 up to now.

10 Q I understand that, but my point is the people
11 who already have sewer service in Lakewood Acres have at
12 least to a certain extent already paid this type of cost
13 with respect to the existing system there.

14 MR. HARRELSON: I object, your Honor. Is
15 that a question or is that a statement of fact?

16 EXAMINER HYATT: I'm sorry. Could you repeat
17 the question?

18 MR. HARRELSON: Is that a question or a
19 statement of fact?

20 EXAMINER HYATT: I didn't hear the question.
21 What was the question?

22 Would the Reporter repeat the question, please.

23 THE REPORTER: "QUESTION: I understand that,
24 but my point is the people who already have sewer service in
25 Lakewood Acres have at least to a certain extent already

1 paid this type of cost with respect to the existing system
2 there."

3 EXAMINER HYATT: I will sustain the objection
4 as to the form of the question.

5 BY MR. SCOTT:

6 Q Mr. Hagan, does it enter into your thinking
7 that your proposed treatment plant is being designed for
8 approximately 450 units because of your expectation that
9 somewhere along the line the city will extend sewers to your
10 area and therefore you won't need any more capacity than that?

11 A Yes, we assume that this plant will take care
12 of the three subdivisions until the city sewers become
13 available.

14 Q If the city comes in and takes over the sewer
15 system in the area, what is your expectation with respect to
16 what's going to happen to the plant that you're going to
17 build?

18 A If the city extended the trunk main to the
19 treatment plant, then we would let them take over servicing
20 the area except for the obligations that would be outstanding
21 at the time.

22 Q In other words, the repayment on the 30,000
23 loan originally?

24 A Yes.

25 Q How do you think that's going to be repaid?

1 A Well, that could be repaid by the city or it
2 could continue to operate until the 30,000 was repaid.

3 MR. SCOTT: I have no further questions.

4 MR. LEWIS: No redirect.

5 EXAMINER HYATT: Is there any recross?

6 MR. HARRELSON: Yes, I believe a couple of
7 questions.

8 EXAMINER HYATT: Okay, please proceed then.

9 FURTHER CROSS-EXAMINATION BY MR. HARRELSON:

10 Q I think Mr. Scott asked you some questions
11 concerning whether or not you would be willing to build
12 additional capacity when the proposed service area for
13 Water's Edge grew in population. I think the question I
14 have is would you have sufficient money to invest in that
15 additional capacity at that time?

16 A Yes, I would.

17 Q Do you understand that the rates that may be
18 in effect would not necessarily produce--the rates in effect
19 prior to this plant reaching capacity would not necessarily
20 reflect--would reduce as new customers came on line because
21 of your reduced costs?

22 A Yes.

23 Q So that you would not necessarily gain
24 additional revenue.

25 A My philosophy, Bill, is that if business is

1 successful enough where we are required to build another
2 plant, I would be more than happy to build another plant.

3 Q And you feel that you would have either
4 sufficient funds on your own or would be able to obtain
5 commercial financing?

6 A Yes.

7 Q On that \$30,000 loan which is present in your
8 proposed financing of the proposed treatment facility and
9 the other plant necessary in support of that facility, would
10 that financing be long term? You have suggested 15 years.

11 A It would be, you know--I could be flexible
12 on that. I thought long term would allow us to keep the
13 rates a little bit lower for the consumers.

14 Q When that proposal becomes concrete, would
15 you be willing to submit that to the PSC for its approval?

16 A Yes.

17 MR. HARRELSON: No more questions.

18 EXAMINER HYATT: Do the intervenors have any
19 recross?

20 MR. SCOTT: Just a couple questions, your
21 Honor.

22 EXAMINER HYATT: Okay. Mr. Scott.

23 FURTHER CROSS-EXAMINATION BY MR. SCOTT:

24 Q Mr. Hagan, do you have any projections at this
25 time as to what the rate for sewer service to individual

1 residential units would be on your proposal?

2 A We included in our application our feasibility
3 study. We showed that the rates would be depending upon how
4 big a service area we start with initially. If we started
5 initially with all three subdivisions, it was around \$9-
6 something per month.

7 Q You have a statement here that says operation
8 and maintenance costs estimated to be \$8 per month. Is that
9 what you're referring to as far as the feasibility study?

10 A I'm referring to a feasibility study I
11 received from James Brush and Associates on April 10, 1980.

12 Q Do you have in mind at this time the connection
13 charge that would be required for a unit to hook on to the
14 system?

15 A No, sir, I do not.

16 MR. SCOTT: No further questions.

17 MR. LEWIS: I have just one further question.

18 REDIRECT EXAMINATION BY MR. LEWIS:

19 Q I think you made reference to an item in the
20 application. And in addition to the feasibility study that's
21 contained in the application, did you also obtain some
22 additional backup data from your engineer and forward it to
23 the Department of Natural Resources and the Public Service
24 Commission?

25 A Yes, I did.

1 Q And are some of the data that you've referred
2 to actually from that source rather than your feasibility
3 study?

4 A I'm sorry.

5 Q I said a couple of comments you made about
6 alternative charges and so forth are from that document
7 rather than from the original feasibility study?

8 A Yes.

9 Q I'll hand you what's been marked as
10 Applicant's Exhibit 2 and ask you if that is the additional
11 backup data that you--

12 A Yes, it is.

13 MR. LEWIS: I'll offer in evidence Applicant's
14 Exhibit 2.

15 EXAMINER HYATT: Okay. Are there any
16 objections to the reception into evidence of Applicant's
17 Exhibits 1 and 2?

18 (No response.)

19 EXAMINER HYATT: There being no objections,
20 I now receive in evidence Applicant's Exhibits Nos. 1 and 2.

21 (APPLICANT'S EXHIBITS NOS. 1 AND 2 WERE
22 RECEIVED IN EVIDENCE AND MADE A PART OF THIS RECORD.)

23 EXAMINER HYATT: Does the applicant wish to
24 present any more witnesses in support of his application?

25 MR. LEWIS: Yes, your Honor.

1 EXAMINER HYATT: Please go ahead.

2 The witness may step down.

3 (Witness excused.)

4
5 MR. LEWIS: Call James Brush.

6 (Witness sworn.)

7
8 JAMES W. BRUSH testified as follows:

9 DIRECT EXAMINATION BY MR. LEWIS:

10 Q State your name, please.

11 A My name is James W. Brush.

12 Q How old are you?

13 A I am 41 years of age.

14 Q Where do you live?

15 A I reside at 2508 Highland Drive, Columbia,
16 Missouri. My office is 1804 Vandiver Drive.

17 Q What is your occupation or profession?

18 A Occupation and profession is a consulting
19 engineer and land surveyor.

20 Q What is your educational background?

21 A My educational background is the generalized
22 grade schools; high school graduate; Bachelor of Science,
23 Civil Engineering, University of Missouri; very short courses,
24 so forth, since that time.

25 Q When did you receive your engineering degree

1 at the University of Missouri?

2 A. 1965.

3 Q Have you been active full time as an engineer
4 in one capacity or another since the time of your graduation?

5 A I would say so, yes.

6 Q Are you a registered engineer for the State
7 of Missouri?

8 A. Yes, sir, I am.

9 Q Has your work as an engineer over the years
10 tended to be specialized in any particular area?

11 A Waste water has been an area that I have
12 certainly enjoyed for a number of years, yes, sir.

13 Q Have you had employment prior to going on
14 your own?

15 A. Yes, sir. Previous to this period of time I
16 have been employed by the city of Columbia and also worked
17 with another consulting engineer.

18 Q How long were you employed by the city of
19 Columbia?

20 A. Overall tenure with the city of Columbia was
21 about 10 to 12 years.

22 Q In what capacity did you work there?

23 A. My final capacity at the city of Columbia was
24 classified as a sanitary engineer under the Public Works
25 Department.

1 Q As sanitary engineer I take it that you
2 designed and approved and worked with waste water systems
3 of various types?

4 A We certainly worked with the waste water
5 program and were subject to the approval of facilities that
6 were being constructed within the city limits of Columbia.

7 Q The area of waste water was your primary
8 area of expertise during those years?

9 A Yes, sir.

10 Q Since you've left the city of Columbia, have
11 you continued to work in the area of waste water?

12 A Yes, sir.

13 Q Or various types of sanitary and sewage
14 operations?

15 A Yes, sir.

16 Q And have you as such in your various capacities
17 over the years designed and supervised various sewage treat-
18 ment facilities or made studies in respect to the same?

19 A Yes, sir.

20 Q Have you done this on a number of occasions?

21 A Yes, sir.

22 Q Have you, at the request of Mr. Hagan,
23 prepared a feasibility study for the Water's Edge Sewer
24 Company proposal in this application?

25 A Yes, sir, I did.

1 Q And do you have a copy of it with you?

2 A Yes, sir.

3 Q And I believe you also submitted some
4 additional backup material that's been identified as
5 Applicant's Exhibit 2; is that correct?

6 A Yes, sir.

7 EXAMINER HYATT: This is Applicant's Exhibit 2?

8 WITNESS BRUSH: Is that a letter dated
9 April 10, 1980? Yes, sir. I've got a copy.

10 BY MR. LEWIS:

11 Q Now, you heard Mr. Hagan describe the four
12 ownerships that are involved in this project?

13 A Yes, sir.

14 Q And you are generally familiar with these
15 ownerships and their boundaries?

16 A Yes, sir.

17 Q And have you studied the topographical maps
18 that show these areas?

19 A Yes, sir.

20 Q And are you the one who prepared the
21 topographical map and outline plat that was attached to the
22 application as part of your feasibility study?

23 A Yes, sir.

24 Q Could you describe for us what the existing
25 situation is out there in respect to such facilities as

1 exist in the entire proposed service area?

2 A In the entire proposed service area,
3 Mr. Hagan's Water's Edge development is located immediately
4 downstream from Lakeland Acres, which has a single cell
5 waste stabilization lagoon and associated sewer lines;
6 abutting adjacent to the south is Lakewood Estates which has
7 a, I believe you refer to that as an extended aeration
8 although it may act more as a contact stabilization plant,
9 and associated sewer lines, and I believe there's one pumping
10 station, small one, in that facility.

11 Q Incidentally, are you familiar with the
12 state of development of Mr. Hagan's own subdivision?

13 A Yes, sir.

14 Q Is the description which he gave of it
15 essentially accurate insofar as the percentage of roads and
16 utilities and so forth that have been completed?

17 A Yes, sir.


18 Q Is it correct that the adjoining two sub-
19 divisions are creating problems, sanitary problems in this
20 area?

21 A If I may, I would like to phrase my reply in
22 these terms, is that the discharge from the Lakeland Acres'
23 waste treatment facility flows down through the Water's Edge
24 property. The treatment facility at Lakewood Estates I
25 personally observed, did not run any laboratory analysis on

1 it, but from physical observation of the plant itself, the
2 effluent quality downstream as well as numerous other
3 comments appears to be somewhat overloaded. It does not
4 directly flow through the Water's Edge property.

5 Q But the other subdivision does?

6 A Yes, the other subdivision does.

7 Q Is any  sewer service available in the Water's
8 Edge Estates itself, Mr. Hagan's subdivision?

9 A What do you mean by sewer service available?

10 Q I mean is there any sewer service presently
11 serving that area.

12 A No, sir.

13 Q Do you know of any--well, let me ask you this.
14 Do you keep abreast of plans for development in the city in
15 respect to extension of sewers and so forth?

16 A As part of normal development we always like
17 to research and try to determine the availability of services
18 by others because we're all working to go ahead and serve our
19 client, and that is the consumer.

20 If I may, just a moment, tell a little bit
21 as to why or what has happened to where we came to be here
22 today. Basically we started out with a set of plans that
23 would serve the Water's Edge development. The area that we
24 are working in is within the area designated as the Boone
25 County Sewer District.

1 The working procedure is that all sewer plans
2 are submitted and approved by that agency before they are
3 submitted to the Missouri Department of Natural Resources
4 for their approval. Our initial concept was a small treat-
5 ment facility. This was submitted to the Boone County Sewer
6 District, Regional Board of Trustees.

7 At that point in time they expressed strong
8 concerns whether or not they could approve a facility of this
9 type. Based upon their direction we backed up and expanded
10 the concept to include these two additional subdivisions.

11 Q Directing your attention to your feasibility
12 study, what recommendations did you make therein concerning
13 the best type of sewer service to provide this service area
14 with sewer service, from an engineering standpoint?

15 A From an engineering standpoint, any time that
16 we can consolidate facilities together and utilize a large
17 number and avoid duplication of services, we feel like we
18 have accomplished something. Based upon that and concerning
19 the situation and the Boone County Sewer District Regional
20 Board of Trustees' desires, our recommendation was to go
21 ahead and consolidate all three discharges into one facility.

22 Q What kind of plant do you propose be
23 constructed on this tract of ground that the applicant owns?

24 A We anticipate an extended aeration treatment
25 plant.

1 Q How will that be connected or served with the
2 sewers in the area?

3 A We have reviewed and done surveys to determine
4 the feasibility of extending gravity sewer lines to each of
5 the other two existing treatment facilities.

6 Q In your opinion can all of the existing lots
7 in Lakewood Estates be served without a pumping station?

8 A The existing treatment facility can be
9 connected. As to the exact area of lots that may be platted,
10 as far as I know we may have the whole thing platted, I don't
11 know.

12 Q Let me word it this way. Can all of the
13 developed lots in Lakewood Estates be served, in your
14 opinion, without a pumping station?

15 A If by developed you mean those that are
16 abutting the existing streets?

17 Q Or have construction on them.

18 A At the point in time that I prepared this
19 report, I would say yes. I have not checked the area in the
20 last four to six weeks.

21 Q Have you discussed the economic feasibility
22 of this project on the basis of your feasibility study?

23 A The estimated costs that we projected to
24 accomplish the items contained within the feasibility study,
25 which would be a 400-unit sewage treatment plant, the cost

1 estimation is \$85,000; the sewers in the Water's Edge
2 development, 46,100; sewers to serve Lakeland Acres, 15,200;
3 sewers to serve Lakewood Estates, 21,600.

4 Q Are those costs based on the best of your
5 opinion as a practicing engineer and taking into account your
6 experience in the waste water and sanitary sewer area?

7 A Yes, sir, those are reasonable costs.

8 MR. LEWIS: I believe that's all.

9 EXAMINER HYATT: Did the Staff wish to cross-
10 examine this witness?

11 MR. HARRELSON: I have a few questions.

12 EXAMINER HYATT: Okay, proceed.

13 CROSS-EXAMINATION BY MR. HARRELSON:

14 Q Mr. Brush, do you know how customers will
15 be connected to the proposed plant on its completion or how
16 it will be connected to existing lines?

17 A To existing lines?

18 Q New customers as they come on.

19 A (No response.)

20 Q Let me ask the question more specifically.
21 Maybe I can clarify it. Do you know how new customers will
22 be connected, how their sewers will be connected to the
23 treatment plant? More specifically, whether the company will
24 pay that cost, whether the customer will be asked to pay that
25 cost, or exactly how that cost will be charged.

1 A Basically the extension of sewer lines based
2 upon the general practice of the area, the reason would be
3 with the developer or whoever was wanting the extension of
4 the sewer line.

5 Q Do you know who will be doing the connecting
6 from the house to the sewer line?

7 A The house to the sewer line. It will be
8 my recommendation in the tariffs that either that be done
9 by the sewer company at a reasonable charge or at least
10 under their permission and jurisdiction.

11 Q Will there be an inspection by the company
12 if it's done by someone else?

13 A It would be my recommendation that that be
14 included in the tariffs.

15 MR. HARRELSON: I have no further questions.

16 EXAMINER HYATT: Does the city have any
17 cross-examination of this witness?

18 MR. SCHNEIDER: (Shaking head.)

19 EXAMINER HYATT: Or Boone Water?

20 MR. SCOTT: Yes, your Honor, I have a couple
21 of questions.

22 EXAMINER HYATT: You have. Okay, please
23 proceed then, sir.

24 CROSS-EXAMINATION BY MR. SCOTT:

25 Q Mr. Brush, did I understand you correctly to

1 indicate that the cost projections for this Water's Edge
2 sewer system are based on your estimates and are not based
3 on bids received from contractors, specific bids for this
4 project?

5 A. Let me say this. The line that would serve
6 Lakewood Estates has not been bid yet.

7 Q Do you have bids though, say, for the treat-
8 ment plant?

9 A. We have bids on components on that. We have
10 bids from two other facilities, yes.

11 Q Do you have a bid for the Lakeland Acres'
12 connection?

13 A. The Lakeland Acres' connection has not been
14 bid at this point in time. We have done an analysis on those.
15 And based upon the items of work to be accomplished, these
16 costs are in line with what's going on in the area.

17 Q Now, you indicated that to the best of your
18 knowledge at the time the application was filed the lots
19 which are presently developed with construction on them in
20 Lakewood Estates, Lakewood Villa can be--sewage from those
21 lots can be piped to the Water's Edge plant by gravity; is
22 that correct?

23 A. Yes, sir.

24 Q Do you know from your investigations of the
25 area whether there is any portion of the Lakewood area that

1 will require a lift or pump station in order to get sewage
2 over to the treatment plant if this central plant is pursued
3 for the Lakewood area?

4 A The Lakewood area has somewhat of a--I wouldn't
5 call it a large draw, but it does have a low area that water
6 runs through. Parts of that are lower than what can be
7 sewerer by a gravity system.

8 Q So if that area would be developed, there
9 could be the necessity for a lift station; is that correct?

10 A If he chooses to develop that area, yes.

11 Q Now, did I understand you correctly to
12 indicate that as new customers come on to the system that
13 there would be some form, you would anticipate there would
14 be some connection charge that would be paid by the developer
15 or whoever is asking for the connection? Is that what you
16 said?

17 A I believe what we were addressing was the
18 extension of lines to connect into the gravity systems that
19 would be constructed and then the specific connection from
20 the house out to this line.

21 Q All right. But then is the answer yes, that
22 you do anticipate there would be a connection charge?

23 A I anticipate that whoever needs to have the
24 line would pay for it.

25 Q Now, you did say you have not yourself done

1 any tests on the Lakewood plant; is that correct?

2 A No, sir, I haven't. I can if you desire.

3 MR. SCOTT: No further questions.

4 EXAMINER HYATT: Okay. There being no
5 further questions--is there any redirect, Mr. Lewis?

6 MR. LEWIS: Just one question.

7 REDIRECT EXAMINATION BY MR. LEWIS:

8 Q In regard to the last question that Mr. Scott
9 asked you, you have reviewed the plats and topographical maps
10 and so forth for this area, have you not?

11 A Yes, sir.

12 EXAMINER HYATT: Is that all?

13 MR. LEWIS: Yes.

14 EXAMINER HYATT: Okay, the witness may step
15 down. Thank you very much, sir.

16 (Witness excused.)

17
18 EXAMINER HYATT: Does the applicant have any
19 other witnesses?

20 MR. LEWIS: One more, your Honor.

21 EXAMINER HYATT: Please call him then.

22 MR. LEWIS: Michael Logstan.

23 (Witness sworn.)

1 MICHAEL LOGSTAN testified as follows:

2 DIRECT EXAMINATION BY MR. LEWIS:

3 Q State your name, please.

4 A My name is Michael Logstan.

5 Q How old are you?

6 A Twenty-nine years of age.

7 Q Where do you live?

8 A Route 2, Jefferson City.

9 Q What is your occupation or business?

10 A I am an engineer with the Missouri Department
11 of Natural Resources.

12 Q What is your educational background?

13 A Grade school, high school, and have a degree
14 in Civil Engineering from the University of Missouri at Rolla.

15 Q When did you graduate from Rolla?

16 A 1973.

17 Q Since that time have you been continuously
18 employed by the Department of Natural Resources?

19 A No. I have been employed by the Missouri
20 Division of Health, the Missouri Public Service Commission,
21 and the Department of Natural Resources.

22 Q You are a registered engineer in the state of
23 Missouri?

24 A Yes, I am.

25 Q And all the different jobs that you mentioned

1 was your employment in the field of engineering?

2 A Yes, it was.

3 Q And was it in the field of environmental
4 concerns?

5 A Yes, specifically water and waste water
6 treatment engineering.

7 Q Would it be correct then to say that your
8 entire engineering career has been in the area of waste
9 water and things connected to it?

10 A Yes.

11 Q How long have you been with the Department of
12 Natural Resources?

13 A Approximately four years.

14 Q What position do you hold there?

15 A I am an engineer in the Jefferson City
16 regional office. Duties there include field investigation,
17 annual inspection of waste water and water treatment
18 facilities. I am also involved in plan review, site surveys,
19 issuance of construction and operating permits and various
20 related activities.

21 Q Are you familiar with the history of this
22 particular matter from the--in fact starting with the
23 November meeting that Mr. Hagan testified to?

24 A Yes, I am.

25 Q Is it correct that Boone County Sewer District

1 and the Department of Natural Resources both urged Mr. Hagan
2 to develop a plan for all four ownerships, particularly for
3 the two subdivisions?

4 A Yes, we thought that that would be the best
5 alternative for that area.

6 Q Did Mr. Hagan agree then to cooperate in that
7 regard?

8 A Yes, he did.

9 Q Has he continued to cooperate with the
10 Department since that time in trying to work out a plan to
11 serve all these areas?

12 A Yes, he has.

13 Q Are you personally familiar with the Lakewood
14 Estates area of which Mr. Flood is the principal and which
15 has the Boone County Water & Waste Company?

16 A Yes, I am.

17 Q Are you also familiar with the Lakeland Acres
18 area of which E.D.W. and Mr. Welch are principals?

19 A Yes, I am.

20 Q How long have you been familiar with these
21 properties?

22 A I have been familiar with the Lakeland Acres
23 Subdivision approximately nine months and the Boone Water &
24 Waste Company, Lakewood Estates for approximately three years.

25 Q Okay. Let me ask you in respect to the

1 Lakewood Estates--these have similar names. I have to look
2 to see which one I'm talking about. Lakewood Estates, which
3 is Mr. Flood and which is Boone Water & Waste.

4 A Yes.

5 Q In respect to that one, you say you had
6 contact with them for three years?

7 A Yes.

8 Q What kind of sewage facility exists on that
9 property?

10 A He has a mechanical sewage treatment facility.
11 I think Mr. Brush testified as to the operational method
12 there as far as the manner of sewage treatment.

13 According to the records that our Department
14 has compiled over the history of the plant, it has never--or
15 at least according to our records has never consistently
16 met the discharge parameters, the limits of those parameters
17 that were placed on the facility. It is our understanding
18 that the facility is both hydraulically and organically
19 overloaded as far as the amount of waste coming into the
20 plant.

21 Mr. Flood, as the proprietor of the company,
22 has applied for a construction permit for a new facility on
23 two separate occasions. A permit was granted, and then it
24 expired under the rules of our Department within a one-year
25 period because construction was never instigated.

1 We have a considerable amount of documentation
2 as to the opinion that the plant is not operating or has not
3 been properly operated in the past.

4 Q What type of defects do you have personal
5 knowledge of in respect to that particular system?

6 A I would say the major defect is just the fact
7 that it's overloaded beyond the capacity of the plant to
8 treat the waste.

9 Q Does this cause it to discharge effluent?

10 A Yes.

11 Q Have you personally done any tests or made
12 any observations to verify this?

13 A Our Department has, I believe on two occasions,
14 done composite sampling on the plant. And also other private
15 firms in the Columbia area. And the results of those analyses
16 indicate that the treatment plant is not functioning properly.

17 Q Has this problem existed throughout the three
18 years of your contact with that company?

19 A To the best of my knowledge, yes.

20 Q Has notice been sent or given orally or by
21 written notice to Mr. Flood or to Boone Water & Waste of these
22 defects?

23 A Yes, they have.

24 Q Have there been a number of occasions on which
25 this has been done?

1 A Yes.

2 Q Have the defects been remedied?

3 A No, not entirely. There have been some minor
4 corrections that have been made. But overall--

5 Q It is still, in your opinion, not operating
6 satisfactorily?

7 A That is correct.

8 Q I take it it is also your opinion that it is
9 actually incapable of operating satisfactorily in its
10 present size and condition?

11 A Yes.

12 Q What type of sewage facility exists for the
13 other property, the Lakeland Acres, which is Mr. Welch's?

14 A There's presently a single cell waste
15 stabilization lagoon. There is no valid discharge permit
16 issued to that facility at the present time. It does not
17 appear that it has reached its loading capacity, but we have
18 been working with the developer in that subdivision to
19 eliminate that facility.

20 Q Have there been problems with that facility
21 as well?

22 A We have no records of any testing that has
23 been done on the facility. I am not able to make any
24 projections.

25 Q But you say it does not have--what did you say,

1 a license or permit?

2 A Yes. It does not have a valid discharge
3 permit.

4 Q It does not meet your requirements then?

5 A That is correct.

6 Q There is no outstanding Public Service
7 certificate of convenience and necessity for that facility?

8 A Not that I am aware of.

9 Q When your agency is asked to grant approval,
10 say, of a construction permit, do you take into consideration
11 past experience that you may have had with the particular
12 developer involved?

13 A Yes, that would come into bearing.

14 Q Based on your experience in this matter,
15 would your agency recommend approval for a new plant or an
16 extension of a plant if requested by Mr. Flood or his Boone
17 County Water & Waste Company?

18 A I feel that our agency would oppose such a
19 plant at this time. However, Mr. Flood and the company of
20 Boone Water & Waste would have the option of appealing that
21 ruling to the Missouri Clean Water Commission. Our Department
22 would then act upon their recommendations.

23 Q But it would be your feeling that your
24 Department would recommend against it?

25 A I believe that's true, yes.

1 MR. LEWIS: I believe that's all.

2 EXAMINER HYATT: Okay. One second, please,
3 just off the record.

4 (Off the record discussion.)

5 EXAMINER HYATT: Back on the record.

6 Does the Staff wish to cross-examine this
7 witness?

8 MR. HARRELSON: I have no questions.

9 EXAMINER HYATT: Okay.

10 MR. SCHNEIDER: No questions.

11 EXAMINER HYATT: The city of Columbia has no
12 cross-examination. Does the Intervenor Boone Water & Waste
13 Treatment Company have any cross-examination for this witness?

14 MR. SCOTT: Just a couple of questions, your
15 Honor.

16 EXAMINER HYATT: Okay, please proceed.

17 CROSS-EXAMINATION BY MR. SCOTT:

18 Q Mr. Logstan, are you aware that at the present
19 time the Lakewood Estates, Lakewood Villa sewer plant is
20 being operated under contract by an engineering firm?

21 A Yes, I am.

22 Q And has your experience with that firm been
23 good with respect to their ability to operate a plant at its
24 maximum efficiency?

25 A I feel they do a good job with the facilities

1 they have to work with, yes.

2 Q And assuming that Boone Water & Waste were
3 committing itself to continue having a new plant operated
4 under contract with this company or another professional
5 sewer management company, would that affect your agency's
6 position on granting a new construction permit?

7 A Well, I feel that--well, before we would make
8 any ruling, of course, in the application process for
9 construction permit, the applicant is required to submit an
10 engineering report covering all of the available options for
11 sewage treatment for his specific area. And I feel that in
12 light of the testimony that's been given beforehand in this
13 particular case that the applicant would have to consider
14 this other option, and I would feel that it would be more
15 of a feasible alternative than construction of their own
16 facility.

17 Q That's not really responsive to my question.
18 You have said that because of your past experience with
19 Mr. Flood and Boone Water & Waste Treatment Company,
20 Incorporated, that you feel that your Department would oppose
21 granting a new construction permit to them because of your
22 past experience, right?

23 A Right.

24 Q However, you have also testified that the
25 company which is under contract with them at the present time

1 to operate the system does a good job with the systems that
2 they have to work with, right?

3 Now, my question to you was if Mr. Flood
4 commits himself to having this firm or another professional
5 management firm operate a new plant for him, does that
6 change your position on his building a new plant?

7 A I don't believe it would.

8 Q Why not?

9 A Well, Mr. Flood would still be the person
10 responsible for the operation of that facility. His name
11 would be on the permit to be issued to it. It's been my
12 understanding that even though he has retained a competent
13 firm to operate the plant, there are times that they cannot
14 make necessary expenditures because they were unable to
15 contact Mr. Flood or money was not available to make the
16 necessary corrections that needed to be done.

17 Q Suppose they had the money available and
18 carte blanche to manage it in the best efficient way?

19 A If they could show in an engineering or
20 feasibility study that that was the best alternative, we
21 would certainly consider that.

22 Q How often are tests on the plant effluent
23 done by DNR?

24 A Well, we don't monitor the effluent from the
25 plant on a regular basis. As part of their permit requirements

1 they have to sample the water on a monthly basis and report
2 to our agency on a quarterly basis. That work is being
3 carried out by Mid-Missouri Engineers.

4 Our Department, as I mentioned earlier, has
5 done compliance monitoring on, I believe, two separate
6 occasions. And their results indicate the plant is not
7 functioning properly, and the monthly analysis submitted to
8 our agency indicates that the plant is exceeding the permit
9 limitations.

10 MR. SCOTT: No further questions.

11 EXAMINER HYATT: Are there any further
12 questions?

13 MR. LEWIS: None.

14 EXAMINER HYATT: Okay. I have a couple of
15 questions.

16 QUESTIONS BY EXAMINER HYATT:

17 Q You stated that since certain other firms had
18 made studies of the Lakewood Estates Subdivision—is that
19 correct?

20 A Yes.

21 Q Which firms were those and what were the
22 results of the studies?

23 A I was referring to Mid-Missouri Engineers
24 Company.

25 Q Excuse me.

1 A I was referring to the Mid-Missouri Engineers
2 Company. And the analysis indicated that the plant was
3 exceeding the permit limitations.

4 Q You might well have answered this in the
5 course of your testimony, but could you please be specific
6 with it more with me on what grounds you or your Department
7 would recommend against Intervenor Boone Water & Waste
8 Treatment Company receiving a permit to expand its waste
9 sewage treatment facilities?

10 A Well, I feel that they have demonstrated in
11 the past the inability to provide sewage treatment that will
12 meet effluent limitations that have been established
13 according to the Missouri Clean Water law. And I feel that
14 on that, with the other options available for sewage treat-
15 ment, that it would be a better alternative to seek other
16 methods of sewage treatment.

17 Q Okay. One last question. You mentioned
18 overload, that the system as operated by the Boone Water &
19 Waste Treatment Company, Inc., an intervenor herein,
20 evidenced some overload when certain tests were made. Could
21 you please briefly describe what this overload consisted of
22 and the extent of this overload percentagewise, for instance,
23 over what you think the norm should be or acceptable norm
24 should be?

25 A Okay. The waste water facilities existing at

1 this time have a treatment capacity, according to the
2 engineering reports submitted for that facility, of
3 approximately 17,000 gallons per day of waste water. And
4 I believe that the flow that is going into the plant at the
5 present time is approaching 40,000 gallons per day.

6 These are just estimated figures based on
7 the number of single-family units that are served. So on
8 that basis the sheer volume of water going into the plant
9 is in excess of its capacity, plus the strength of the sewage
10 is more than it can handle.

11 EXAMINER HYATT: I see. I have no further
12 questions.

13 You may step down. Thank you very much, sir.
14 (Witness excused.)

15
16 MR. LEWIS: Applicant rests.

17 EXAMINER HYATT: Okay. At this point I will
18 now call for a ten-minute recess before the Staff would
19 present any of its witnesses.

20 Is there anything else that needs to be taken
21 care of at this point?

22 (No response.)

23 EXAMINER HYATT: Fine. We will now be in
24 recess.

25 (A recess was taken.)

1 EXAMINER HYATT: Back on the record.

2 Will Staff please call its first witness.

3 MR. HARRELSON: Yes. Staff at this time
4 would call Mr. Bill Sankpill.

5 (Witness sworn.)
6

7
8 BILL L. SANKPILL testified as follows:

9 DIRECT EXAMINATION BY MR. HARRELSON:

10 Q Mr. Sankpill, would you state your name and
11 address for the record, please.

12 A Bill L. Sankpill. My business address is
13 100 East Capitol, Jefferson City, Missouri.

14 Q And by whom are you employed?

15 A The Missouri Public Service Commission.

16 Q How long have you worked for this Commission?

17 A Nine years.

18 Q And what is your capacity at the present time?

19 A I'm the Manager of the Water and Sewer
20 Department in the Utility Division.

21 Q And have you testified on other occasions in
22 certificate cases such as this?

23 A Yes, sir.

24 Q On many occasions?

25 A Yes, sir.

Q And are you a registered engineer in the state
of Missouri?

1 A Yes, sir.

2 Q Now, have you read and examined the
3 application submitted in this case by Water's Edge Sewer
4 Company?

5 A Yes, I have.

6 Q Do you have an opinion after hearing the
7 evidence today and after examining that application as to
8 whether or not it would serve the public need and necessity
9 to grant the certificate as proposed?

10 A In my opinion, it would.

11 Q Do you have an opinion as to whether or not
12 the present sewer facilities are adequate to provide reason-
13 able services to the existing customers in that area?

14 A In the--

15 Q In the proposed area?

16 A In the total area. The facilities in the
17 Boone Water & Waste area are, in my opinion, grossly over-
18 loaded. I haven't done any testing. But, from looking at
19 the plant--and I've been looking at sewage treatment plants
20 for about 25 years--the effluent is certainly not acceptable.
21 The plant appeared to be hydraulically overloaded.

22 Q You say you inspected the Boone Water & Waste
23 treatment facility. When was that?

24 A Yesterday.

25 Q And the observation you've just related was a

1 result of that most recent inspection?

2 A Yes, sir.

3 Q In the proposed sewage treatment facility as
4 proposed in the applicant's application, do you have an
5 opinion as to whether or not it would be adequate to serve
6 the present and future needs of the service area?

7 A Well, I believe it would have the capacity
8 to handle the next few years' capacity. Nobody knows what
9 the growth is going to be out there. But, from what I
10 observed, it should be adequate for several years.

11 Q In your most recent examination of the
12 Lakewood Estates Subdivision, which is the area being served
13 by Boone Water & Waste, did you survey that area with the
14 intention of determining whether or not a lift station would
15 be needed to serve current customers if it were to connect
16 with the proposed facility of Water's Edge?

17 A We made a brief observation and took some
18 hand-level shots in the area. And it appears to me that with
19 a deep cut through the hill there--I'm guessing now--about
20 20 feet or a 25-foot cut, that the last manhole in the Boone
21 Water & Waste area could be served by gravity.

22 Q Do you have any other opinions or comments
23 with regard to this certificate of application that's pend-
24 ing before this Commission at this time?

25 A I have no objection to the application.

1 MR. HARRELSON: All right. That's all I have
2 of this witness.

3 EXAMINER HYATT: Okay. Does the applicant
4 have any cross-examination?

5 MR. LEWIS: No, your Honor.

6 EXAMINER HYATT: Does the Intervenor City of
7 Columbia?

8 MR. SCHNEIDER: No.

9 EXAMINER HYATT: Does the Intervenor Boone
10 Water & Waste Treatment Company?

11 MR. SCOTT: I have no questions.

12 EXAMINER HYATT: Thank you very much, sir.

13 (Witness excused.)
14

15 MR. HARRELSON: Staff would now like to call
16 Mr. Jim Merciel.

17 (Witness sworn.)
18

19 JIM MERCIEL testified as follows:

20 DIRECT EXAMINATION BY MR. HARRELSON:

21 Q Mr. Merciel, would you please state your name
22 and address for the record.

23 A Jim Merciel, Post Office Box 360, Jefferson
24 City, Missouri.

25 Q By whom are you employed?

1 A By the Public Service Commission.

2 Q How long have you worked for this Commission?

3 A About three years.

4 Q In what capacity are you employed currently
5 by this Commission?

6 A I'm an engineer. I'm primarily in charge of
7 field operations here. I handle certificate cases such as
8 this one and also customer complaints.

9 Q Have you testified on other occasions in
10 certificate cases similar to this one?

11 A Yes, I have.

12 Q Are you also generally responsible in these
13 initial certificate cases to examine a proposed rate
14 structure or suggest a proposed rate structure?

15 A Yes.

16 Q And have you done that with regard to this
17 application?

18 A Yes, I have.

19 Q Have you examined the engineering feasibility
20 report that accompanied the application of Water's Edge?

21 A Yes.

22 Q Do you have an opinion as to whether or not
23 it is accurate and reasonable in its estimation of the costs
24 of this treatment facility and the accompanying plant?

25 A Yes. The information in the feasibility study

1 appears reasonable to me. As the report states, I think that
2 this area would be feasible to serve with sewer service.
3 I believe that it is in the interest of the public that the
4 certificate be granted.

5 Q Have you then constructed a proposed rate
6 structure to go in effect on a temporary basis should this
7 certificate be granted?

8 A Yes, I have. Of course, since these are
9 original rates, we would recommend that they be on interim
10 rates for a period of 18 months. Since it's kind of question-
11 able what kind of area we're going to have here, it's
12 questionable whether Lakewood Estates would or wouldn't be
13 in the certificated area.

14 First of all, assuming Lakewood Estates would
15 be included, I came up with a rate of \$8.67 per month per
16 customer. This is based on the expenses which would be
17 needed to operate the treatment plant and the collection
18 system and, also, a \$30,000 investment on the part of Water's
19 Edge Sewer Company. So we put in \$3,600 per year for
20 interest expenses.

21 Should Lakewood Estates not be included in
22 the certificate, it changes the picture somewhat in that it
23 really isn't feasible for the company to serve the area on
24 its own. Mr. Hagan, as the developer, would have to
25 subsidize the utility until it gets on its feet, which I

1 would estimate to be about two years, maybe three years.

2 In that case, based on the population fore-
3 cast after the third year, I would estimate the rate to be
4 \$9.46 per month. Now, as I stated, that would not support
5 the utility for the first two or three years. But, after
6 that, assuming the population forecast is accurate, the
7 utility should be able to sustain itself.

8 MR. HARRELSON: I don't have any further
9 questions.

10 EXAMINER HYATT: Okay. Does the applicant
11 have any cross-examination?

12 MR. LEWIS: Just one question.

13 CROSS-EXAMINATION BY MR. LEWIS:

14 Q The rate structure that you have just
15 testified to presupposes that the contributions shown in the
16 plant were made by the respective developers?

17 A Yes, sir. It does assume that the contri-
18 butions as shown in the feasibility report would be made.

19 MR. LEWIS: Nothing further.

20 EXAMINER HYATT: Okay. Does the intervenor
21 City of Columbia have any cross-examination?

22 MR. SCHNEIDER: None.

23 EXAMINER HYATT: Does the Intervenor Boone
24 Water & Waste Treatment Company have any cross-examination
25 of this witness?

1 MR. SCOTT: Yes, your Honor. I have a couple
2 questions.

3 EXAMINER HYATT: Please proceed.

4 CROSS-EXAMINATION BY MR. SCOTT:

5 Q Mr. Merciel, your computations of these
6 proposed rates, I gather, proceeded along the same assumptions
7 set out in the application; primarily, that there would be
8 a loan of some \$30,000 put into the plant. And, also, that
9 there would be these contributions of \$25,000 from Lakeland
10 Acres and \$40,000 from Lakewood Estates; is that correct?

11 A Yes, sir.

12 Q Now, supposing, just for the sake of discussion,
13 that for some reason it's not possible to come up with
14 \$40,000 from the Lakewood Estates area. That, for some
15 reason, it can be recovered through the rates. Would that
16 not require a higher rate?

17 A If it has to be recovered through the rates,
18 yes, it would require a higher rate.

19 Q Do you have any figures concerning a hook-on
20 or connection charge that would be necessary or desirable for
21 new customers added to the system?

22 A No connection charges nor--actually we call
23 them contribution in aid of construction charges. None were
24 proposed in the feasibility study. And I made no considera-
25 tion in my calculations here.

1 I might add at this point there would be a--
2 well, we would recommend that the company have an inspection
3 charge. Many other companies charge something like \$25 for
4 new connections. It would be something like that. Also,
5 the customer would pay for his own service sewer from the
6 company's main to his house. So there would be that cost
7 involved. But that would just be the customer's cost.
8 There really won't be any money coming to the company for
9 a connection.

10 Q So you're saying that that was not taken into
11 consideration in any way in your review of this matter?

12 A No, no connection charges were considered.

13 Q Is a connection charge something that's
14 typically allowed or not?

15 A It is in some cases, particularly when there's
16 a large investment on the part of the utility company. The
17 contribution in aid of construction charge would go against
18 the rate base that the company has.

19 Q So, each time a contribution in aid of
20 construction is paid, it reduces the rate base?

21 A That's right. That's correct. It wasn't
22 proposed in the feasibility report. What I'm saying is that
23 this company didn't ask for it, so we never considered it.

24 Q Theoretically, the \$30,000 loan would be
25 considered part of the rate base in a situation like this?

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A. Yes, it would.

Q So it would be a feasible way to recover that to ask for contributions in aid of construction; is that right?

A. Yes, you could have such a fee. And that would come against the \$30,000.

Q With that magnitude of rate base, what kind of contribution in aid of construction would you normally expect to see?

A. I really couldn't answer that. We would really have to sit down and do some figuring on that. I really couldn't give you a figure at this point.

Q You do not have the experience with other systems that would give you some kind of ballpark idea of what the charge might be?

A. I would think the \$30,000 wouldn't really be large enough to justify such a charge. If you had, for example, a \$500 contribution fee, then that would take 60 customers to reduce the \$30,000 to zero. And, according to the population forecast, they ought to have that within about a year and a half.

Q But you would anticipate that each customer would pay the main from the house to the street main?

A. Yes, sir. We commonly call that the service sewer. The customer would build that and maintain it. And