

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

In the Matter of Missouri-American)
Water Company for Certificates of)
Convenience and Necessity Authorizing it)
to Install, Own, Acquire, Construct,)
Operate, Control, Manage and Maintain)
Water and Sewer Systems In and around)
the City of Lawson, Missouri)

File No. WA-2018-0222

**REPLY TO OPC RESPONSE
TO STAFF RECOMMENDATION**

COMES NOW Missouri-American Water Company (MAWC) and, in reply to the Office of the Public Counsel’s (OPC) *Response to Staff Recommendation and Motion to Open a Workshop Docket* (OPC Response), states as follows to the Missouri Public Service Commission (Commission):

1. One hundred thirty four days ago, on February 12, 2018, Missouri-American Water Company (“MAWC”) filed an *Application and Motion for Waiver* (Application) to purchase all of the water and sewer assets of the City of Lawson and requested Certificates of Convenience and Necessity for said systems. The impetus for the Application was the fact that on November 7, 2017, 422 votes were cast in favor of (37 against) the following proposition:

*OFFICIAL BALLOT
ELECTION
CITY OF LAWSON, MISSOURI*

Tuesday, November 7, 2017

QUESTION

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

YES ○

NO ○

INSTRUCTIONS TO VOTERS:

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

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

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

3. Attached is the Affidavit of Matt Nolker, assistant City Administrator for the City of Lawson, who explains the City’s interest in the subject transaction and the potential financial burden for the City related to delay of the transaction. (See **Appendix A**)

4. The OPC Response generally assists with this processing by expressly stating as follows:

OPC is not requesting an evidentiary hearing in this matter because OPC believes a rulemaking workshop would be the preferred forum to address the concerns raised herein; however, OPC reserves its right to contest the prudence of any transaction, closing, and transition costs incurred by MAWC in future proceedings.

(OPC Response, para. 7)

5. There are, however, some aspects of the OPC Response to which MAWC will respond.

EXISTING SERVICE AREAS

6. The OPC Response correctly cites a provision of Section 393.320.6, that the “small water utility shall, for ratemaking purposes, become part of an existing service area, as defined by the public service commission” and that this “consolidation shall be approved by the public service commission in its order approving the acquisition.” (OPC Response, para. 9)

7. The OPC Response further requests that “the parties identify which if MAWC’s existing service areas the City’s water and sewer system shall become a part of such that the Commission’s order may approve the consolidation as required under the state.” (OPC Response, para. 10)

8. The Application described MAWC’s proposal as follows:

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

9. Since the Application was filed, the Commission has issued its *Report and Order* in Case No. WR-2017-0285 (effective May 28, 2018). The *Report and Order* decided a significant rate design question in regard to MAWC’s water service areas. An *Order Approving Stipulations and Agreements* (also effective May 28, 2018) approved a Stipulation and Agreement that established MAWC’s sewer areas. The resulting tariff sheets became effective on May 28, 2018.

10. In light of those decisions and the currently effective tariff sheets, MAWC would modify its proposal as follows:

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

according to law. Further, MAWC proposes that the Lawson water system be consolidated into the service area described in MAWC's tariff as "All Missouri Service Areas Outside of St. Louis County and Outside of Mexico;" and that the Lawson sewer system be consolidated into the service area described in MAWC's sewer tariff as "Pettis County (Maplewood, Quail Run, Brooking Park, Westlake Village), Fenton, Hickory Hills, Temple Terrace, Anna Meadows, Jaxson Estates."

APPRAISAL

11. OPC sets forth various concerns as to the appraisal performed by certified appraisers. MAWC does not agree with OPC's concerns. However, it also believes that these concerns are best addressed in a future rate case that includes the Lawson systems.

STAFF CONDITIONS 8, 9, AND 10

12. OPC essentially requests that Staff modify its proposed conditions 8, 9, and 10. MAWC has no objection to those conditions as currently written. MAWC will leave the response to this OPC proposal for Staff.

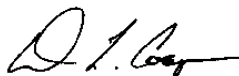
REQUEST TO OPEN A WORKSHOP DOCKET

13. Lastly, OPC requests that the Commission open a workshop docket to discuss possible rules associated with Section 393.320, RSMo. MAWC is not necessarily opposed to such rulemaking. However, this is not an issue that need be decided within the context of this certificate of convenience and necessity case. Given the time concerns of the City of Lawson, MAWC suggests that this issue be tabled until it can be separately addressed.

WHEREFORE, Missouri-American Water Company prays the Commission consider this Reply to the OPC Response and, thereafter, issue its order granting the requested Certificates of Convenience and Necessity, subject to the above and the conditions found in the Staff

Recommendation.

Respectfully submitted,



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ATTORNEYS FOR MISSOURI-AMERICAN
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 28th day of June, 2018, to:

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