

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

In the Matter of the Application of Central Jefferson)	
County Utilities, Inc. for an Order Authorizing the)	
Transfer and Assignment of Certain Water and)	Case No. SO-2007-0071
Sewer Assets to Jefferson County Public Sewer)	
District and in Connection Therewith, Certain Other)	
Related Transactions)	

**RESPONSE OF CENTRAL JEFFERSON COUNTY UTILITIES, INC. TO MISSOURI
DEPARTMENT OF NATURAL RESOURCES STATEMENT OF COMPLIANCE**

Comes Now Central Jefferson County Utilities, Inc. and responds as follows to the Statement of Compliance filed by the Missouri Department of Natural Resources on September 6, 2006:

Central Jefferson County Utilities, Inc. (hereinafter "Central Jefferson") denies the statements of fact, conclusions of law, and allegations of the Missouri Department of Natural Resources' Statement of Compliance except as may be expressly admitted in this Response. There has been no proceeding to determine, and no determination of, the validity of any allegations of environmental violations. Therefore, there has not been a finding in any manner of any violation of applicable law, rule or regulation relating to the allegations stated by the Missouri Department of Natural Resources in its Statement of Compliance or by the United States Environmental Protection Agency as referred in the Missouri Department of Natural Resources' Statement of Compliance. These allegations do not, therefore, have any bearing on the Application filed herein.

WASTEWATER TREATMENT COLLECTION AND TREATMENT SYSTEM

Central Jefferson denies that the wastewater treatment plant or the wastewater collection system have been operated in violation of the Clean Water Act or any rule or regulation relating

to the Clean Water Act. Central Jefferson specifically denies that there has been any threat to public health or the environment from its operation of the wastewater treatment plant. Any overflow of wastewater from the treatment plant has resulted from acts of God, heavy rains, causing unavoidable excessive storm drainage and run-off in to the collection system and wastewater treatment plant which, but for any overflows, would have damaged the wastewater treatment facilities and processes necessary for Central Jefferson to obtain compliance with the effluent limitations and conditions of its operating permits. The overflows were further necessary to prevent property damage to the wastewater treatment collection system by preventing a backup which would flood the collection system and basements of homes connected to the collection system. The overflows as a result of these exceptional incidences were unintentional and temporary and were beyond the reasonable control of Central Jefferson. Any discharge of sewage or other contaminants into Galligher Creek as a result of overflows are exempt from being violations under the provisions of 10 CSR 20-7 (9)(E) 1. Further, Central Jefferson states that any contaminants found in Galligher Creek are not caused solely by any actions of Central Jefferson. There are other sources of contamination of the Creek.

Central Jefferson sought to construct an additional clarifier which would have provided additional storage capacity to the treatment facility and prevented any overflows. The staff of the Missouri Department of Natural Resources refused to give expedited approval to construction of such additional clarifier and stated that it would take as long to approve plans for construction of an additional clarifier as it would to approve plans for construction of a complete expansion to the wastewater treatment facilities. Central Jefferson had funds to construct an additional clarifier to provide this additional detention storage.

Thereafter, Central Jefferson had prepared a design for the expansion of the wastewater treatment plant which was approved by the Missouri Department of Natural Resources. Central Jefferson did not, however, under current rates, have funds, or the ability to obtain funds, to pay for the cost of the complete expansion other than the clarifier. On two occasions, Central Jefferson has applied to the Missouri Public Service Commission for approval of a connection fee to provide funds for construction of the expansion to the wastewater treatment plant. On both occasions the staff of the Missouri Public Service Commission has declined to recommend such a connection fee. Without such a connection fee, Central Jefferson does not have funds, and has no means to arrange for funding, for the expansion of the wastewater treatment plant. The current proposal to transfer the Utility's assets to Jefferson County Public Sewer District is the only solution open at this time to provide funding for expansion of the wastewater treatment plant.

The Missouri Department of Natural Resources alleges that Central Jefferson's Missouri state operating permit for the wastewater treatment plant expired in July, 2004. This is true. However, it fails to inform the Commission that on December 31, 2003 Central Jefferson mailed its application for reissuance of the permit. On September 8, 2004 a representative from the Missouri Department of Natural Resources acknowledged that the application for reissuance of the permit had been received. On September 9, 2004, Mr. Jim Rhodes of the Missouri Department of Natural Resources told Central Jefferson that there was a two year backlog in approval of the applications, and Central Jefferson could continue to operate under its prior permit since its application for reissuance was on file.

PUBLIC DRINKING WATER SYSTEM

Central Jefferson specifically denies that there is any problem with lead in the water supply at Raintree Plantation Subdivision. Well #1 does produce water with a higher lead content than Well #2. As requested by the Missouri Department of Natural Resources, Central Jefferson mixes any water from Well #1 in the storage tank with water from Well #2. Representatives of the Missouri Department of Natural Resources have stated in a public meeting that the water being delivered to the residents is well within the required limits for lead.

The Statement of Compliance states that the Department of Natural Resources does not consider Central Jefferson County Utilities, Inc., in regard to drinking water, to be in “significant non-compliance or a threat to public health or the environment at this time.” Such statement implies that there is an “insignificant non-compliance” in regard to the drinking water. The fact is Central Jefferson is in complete compliance in regard to the drinking water. The Department also states that the blending of water in the storage tank is “theoretically, in compliance with Lead/Copper Rule contaminant action level.” Not only is the blended water “theoretically” in compliance, it is actually in compliance. Both Central Jefferson and the Department have performed actual tests of the water at “first tap” for lead content. This testing has consistently shown that the water is below the Lead/Copper Rule contaminant action level.

There has never been a continual use of Well #1 in providing water to the system. Well #1 is seldom used; generally, only in peak periods of lawn watering and water use in the summer. Then the water is mixed as stated above.

There has not been to date any capacity problem for water at Raintree Plantation Subdivision. While Central Jefferson acknowledges that additions to storage capacity and pumping capacity will be needed in the future, it has no funds to provide such expansion, nor

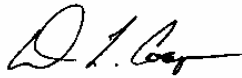
does it have the ability to obtain such funds. The proposed transfer of the Central Jefferson's assets to the Jefferson County Public Sewer District is the only method by which funding can be provided at this time.

CONCLUSION

While the Public Service Commission has received the allegations of the Missouri Department of Natural Resources, Central Jefferson has not been provided any due process proceeding to determine the validity of these allegations. The allegations should be treated as just that – allegations - and the Application filed by Central Jefferson should be granted.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND P.C.



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing was sent via U.S. Mail or electronic mail on this 18th day of September, 2006, to:

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