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

In the Matter of the Application of Hotel )  
Associates, Inc. for a Certificate of )  
Convenience and Necessity Authorizing it )  
to Construct, Install, Operate and Main- ) Case No. WA-99-137  
tain a Water System to the Public Located )  
in and around Kimberling City, Stone )  
County, Missouri. )

**ORDER DIRECTING RESPONSE**

On October 5, 1998, Hotel Associates, Inc. (HAI) filed an application with the Commission requesting a certificate of convenience and necessity authorizing HAI to acquire, build, construct, operate, and maintain a water system and all other facilities necessary for the purpose of furnishing a water system to the public for a specified area. On November 3, HAI filed an amended application detailing by legal description the area in which HAI seeks to provide water service to the public. On December 4, HAI filed another amendment to its application providing a boundary legal description and map for the area in which HAI seeks to provide water service to the public.

On November 9, the Commission issued an Order and Notice and directed any interested entity wishing to intervene to file an application to do so no later than December 9. No applications to intervene were filed. On August 20, 1999, the

Commission issued its order directing the Staff of the Missouri Public Service Commission (Staff) to file its report providing its recommendation or a case status report estimating the time needed for completion of its recommendation by September 7.

On September 7, Staff filed a memorandum in the official case file. Staff stated that this water system had been in existence for a number of years before being included in a foreclosure by a bank on the previous owner of the condominium buildings and water system. HAI acquired the water system assets from the bank.

There are currently two commercial customers in the service area and no individual residential customers on this water system. One of the commercial customers is a condominium building of 58 units, with one water meter for the building. The second customer is a strip shopping center with five (5) rental spaces that are also served by one meter. Staff stated that there is also another condominium building that is currently unoccupied, which is expected to become a customer soon, and was thus included for ratemaking purposes. Staff stated that it audited the operational expenses and the utility plant that has been booked for this system. Staff stated that the rates proposed are based on actual expenses, actual water use, expenses that will be incurred by HAI as regulated utility, and estimated water use of the now vacant condominium building.

Staff noted that a ground storage tank and related high service pumps that are usable but presently disconnected from the

system are included in rate base. Staff stated that it is beneficial for the tank to be placed in service and HAI has a contract to have the tank and pumps reconnected but as of September 1, 1999 this work had not been accomplished. Staff stated that it is recommending two rates to take into consideration the tank and pump reconnection. Staff stated that it is recommending an initial commodity rate of \$7.27 per 1,000 gallons which does not include the tank and pumps. Staff stated that when the company places the tank and pumps in service, HAI should file a revised rate sheet tariff with a commodity rate of \$8.93 per 1,000 gallons that does include rate base associated with the tank and pumps.

Staff recommended the Commission order a rate review period of 18 months after the effective date of this certificate because this operation is a new regulated utility. Staff also recommended that the company be ordered to work with the Staff to devise an acceptable methodology for the allocation of insurance expense during the 18-month review period. Staff stated that all regulated utilities are expected to keep books and records in accordance with the Uniform System of Accounts and recommended HAI be ordered to do so as well. Staff attached a depreciation rate schedule that it recommends for use by HAI. Staff stated that the depreciation rates recommended are similar to other small water utilities. The depreciation schedule is attached to the Staff memorandum and marked Attachment 3.

Staff recommended that the Commission make no finding that would preclude the right to consider ratemaking treatment to be afforded any matters included in this case or any future expenditures by the company in any later proceeding. Staff also stated that HAI should be given an opportunity to respond to this memorandum.

The Commission has reviewed the memorandum filed by Staff and determines that HAI shall file a response to Staff's recommendation.

**IT IS THEREFORE ORDERED:**

1. That Hotel Associates, Inc. shall file a response to the recommendation of the Staff of the Missouri Public Service Commission no later than October 25, 1999.

2. That this order shall become effective on October 4, 1999.

**BY THE COMMISSION**



**Dale Hardy Roberts**  
Secretary/Chief Regulatory Law Judge

(S E A L)

Shelly A. Register, Regulatory Law Judge  
by delegation of authority  
pursuant to 4 CSR 240-2.120(1),  
(November 30, 1995) and Section 386.240,  
RSMo 1994.

Dated at Jefferson City, Missouri,  
on this 24th day of September, 1999.

COMMISSION COUNSEL  
PUBLIC SERVICE COMMISSION

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