

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 28th
day of April, 1993.

In the matter of the application of Shepherd)
of the Hills Sewer Company for authority to)
sell and transfer its franchise, works or) CASE NO. SM-93-260
system to the City of Branson, Missouri.)

ORDER APPROVING SALE AND TRANSFER OF ASSETS

On March 9, 1993, Shepherd of the Hills Sewer Company (Shepherd) filed an application pursuant to Section 393.190.1, RSMo 1986, seeking authorization of the Commission: (1) approving the sale and transfer of all of its franchise, works, or sewer system to the City of Branson (City) in accordance with the Contract For Sale Of Sewer System attached as Exhibit 1 to Shepherd's application; (2) authorizing Shepherd to distribute the proceeds of the sale to its shareholders; (3) authorizing Shepherd to discontinue providing sewer service in its certificated area as of the date of the sale and transfer of such properties to the City, and thereafter cancelling Shepherd's certificate of public convenience and necessity; (4) authorizing Shepherd to do such other acts and things as are proper for the full effectuation of the intent and purposes of the transaction; and (5) authorizing such other relief as is appropriate in the circumstances.

On March 19, 1993, the Commission issued an Order and Notice setting an intervention deadline of April 19, 1993. Since there were no applications to intervene and neither the Staff of the Commission (Staff) nor the Office of the Public Counsel requested a hearing, the Commission has allowed Shepherd to submit evidence by verified application and attachments. *State ex rel. Rex Deffenderfer Enterprises, Inc. vs. Public Service Commission*, 776 S.W.2d 494, 496 (Mo App. 1989).

Shepherd is a sewer corporation and public utility as defined in Section 386.020, RSMo Supp. 1992, and as such is authorized to furnish sewer treatment service in its service area located in Taney County, Missouri. The City of Branson is a municipal corporation of the Fourth Class which provides sewer service within its corporate limits.

Shepherd stated in its application for sale and transfer of its sewer system that the proposed transaction is not detrimental to the public interest in that the City of Branson owns and operates an existing sewer system, and as a result possesses the managerial, engineering, and financial expertise to continue to provide good quality sewer service which Shepherd currently provides to its customers. In addition, Shepherd states that its certificated area is adjacent to the City's corporate limits, and that the acquisition of Shepherd's system by the City fits in well with the City's overall plan of expansion; that because of its substantial size, the City may also be able to take advantage of certain economies of scale in its operation of Shepherd's sewer properties that were not available to Shepherd; and that due to the City of Branson's status as a municipal corporation, the City may be able to obtain financing under more advantageous terms than Shepherd. Finally, Shepherd indicated that the rates charged by the City of Branson for sewer service are the same as or less than those currently charged by Shepherd.

Attached to the application as Exhibit No. 1 is a Contract for Sale of Sewer System which, *inter alia*, proposes to transfer from Shepherd to the City the entirety of Shepherd's sewer system, resources and equipment, and all electrical appliances and controls used in the operation of the same, together with all easements held by Shepherd supporting the placement of the system and any other supplies and equipment on hand at the location of the system, as well as the real estate on which the treatment plant is actually located. The purchase price for the sewer system as provided in the contract is \$810,000. A

legal description of the real property involved is attached to the contract. Also attached to the application as Exhibit No. 2 is a certified copy of the resolution of Shepherd's Board of Directors authorizing the proposed transaction.

On April 21, 1993, the Commission's Staff filed a memorandum recommending approval of Shepherd's application. Staff noted that at the end of 1991 Shepherd had 15 commercial customers outside of and adjacent to the City's limits, with variation in the type and size of customers as well as seasonal sewer usage. Based on a hypothetical example of a customer, Staff calculated the monthly bill for a Shepherd customer as \$665 during summer and \$395 during winter and the monthly bill for a City customer as \$594 during summer and \$156 during winter, resulting in a decrease of 10.7 percent for summer use and 60.5 percent for winter use under City's rates. Staff also posited that the City as a much larger utility could take advantage of economies of scale and eventually eliminate the sewage treatment plants now serving Shepherd customers. Staff specifically recommended that the Commission approve the sale and the transfer of assets to the City; order Shepherd to notify the Commission of the date of the sale closing within five days after it is complete; and cancel both the certificate of convenience and necessity held by Shepherd and its tariff currently on file with the Commission.

Upon review of the verified application and attachments, and Staff's recommendation, the Commission finds that the City possesses the expertise to provide good quality sewer service to Shepherd's current customers; that the location of Shepherd's customers adjacent to City's limits indicates that City's acquisition of Shepherd's sewer system would be both logical and practical; that because of its size City has a greater likelihood of being able to take advantage of economies of scale; that City's current rates are less than or equal to Shepherd's current rates, thus providing a potential cost savings to Shepherd's customers; and the sale and transfer of Shepherd's sewer system to City is in the

public interest. The Commission also finds that the conditions recommended by Staff as set forth herein are reasonable.

IT IS THEREFORE ORDERED:

1. That the sale and transfer of all of the franchise. works, or sewer system of Shepherd of the Hills Sewer Company to the City of Branson in accordance with the Contract For Sale of Sewer System attached as Exhibit No. 1 to Shepherd's application is hereby approved, subject to the terms and conditions set forth in this Order.

2. That Shepherd of the Hills Sewer Company is hereby authorized to take any and all other actions necessary to effectuate the transactions contemplated by the application and this Order.

3. That Shepherd of the Hills Sewer Company shall file a pleading notifying the Commission of the closing date of the sale and transfer of assets within five (5) days after its completion.

4. Upon receipt of the pleading described in Ordered Paragraph 3 above, the Commission shall issue an order canceling the certificate of convenience and necessity held by Shepherd of the Hills Sewer Company, and canceling Shepherd of the Hills Sewer Company's current tariff on file with the Commission.

5. That after the cancellation of its certificate of convenience and necessity and tariffs, Shepherd of the Hills Sewer Company may distribute the proceeds of the sale of its sewer system to its shareholders.

6. That this Order shall become effective on May 11, 1993.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller and
Kincheloe, CC., Concur.
Rauch and Perkins, CC., Absent.