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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service Commission held at its office in Jefferson City on the 12th day of March, 1998.

In the Matter of the Application of)
Silverleaf Resorts, Inc. for a)
Certificate of Convenience and)
Necessity Authorizing it to Construct,)
Install, Own, Operate, Control,)
Manage and Maintain Water and Sewer)
Facilities and to Render Water and)
Sewer Service in and to Residents of)
Certain Areas of Jefferson County,)
Missouri.)

Case No. WA-98-129

ORDER GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

On September 22, 1997, Silverleaf Resorts, Inc. (Applicant or Silverleaf) filed an application in which it requested a certificate of public convenience and necessity to construct, install, own, operate, control, manage and maintain water and sewer facilities and to render water and sewer service for the public located in an unincorporated area of Jefferson County. Applicant currently provides water and sewer services in Stone and Taney Counties pursuant to a certificate granted by the Commission in Case No. WM-98-46.

Silverleaf provided with its application a map and metes and bounds description of the area proposed to be served. Applicant requests a waiver of the requirement under 4 CSR 240-2.060(2)(F)(5) to complete a feasibility study because the utility system was constructed by the previous owner. Applicant indicates that rates will be determined in the context of a small rate case process. No municipal franchises are required, according to Applicant, because the proposed service area is not within a municipality.

Silverleaf indicates that water and sewer service is currently available in the area sought to be certificated from a property owner's association. Silverleaf states that it recently purchased the properties served by this property owners' association, and desires to prospectively operate the facilities as an investor-owned water and sewer company. Applicant included in its application the names of entities who receive water and sewer service in the proposed service area, and Applicant states that in the future Applicant expects to serve time share condominiums. Silverleaf states that granting its application is required by the public convenience and necessity because it will continue to make available safe and adequate water and sewer services to the residents of the proposed service area.

On September 26 the Commission issued an Order and Notice and directed interested parties to file an application to intervene no later than October 27, 1997. No applications to intervene were filed.

On February 26, 1998, the Staff of the Missouri Public Service Commission (Staff) filed a Memorandum in the official case file. Staff indicates that Applicant has an informal rate increase request on file with the Commission for the company's currently certificated territory and that Staff does not object to a waiver of the feasibility study for the proposed service area. Staff states that there is a need for service in the Jefferson County service area and that the facilities already exist along with campground sites and cabins.

Staff proposes that the Jefferson County area initially be served under Applicant's existing tariffs and rates. Applicant already has consolidated rates for its two existing service areas. Staff notes there is a plan to construct timeshare condominiums in the Jefferson County area, so the water and sewer systems will need to be upgraded. Therefore, Staff

recommends an eighteen-month rate review to determine whether the rate base and expenses in the Jefferson County area are reasonable and whether they should remain consolidated with those presently applicable to the southwest Missouri service areas.

Staff recommends that the Commission: (1) approve a certificate for water and sewer service as proposed in the application, to be effective upon the effective date of the tariff sheets to be filed by Applicant; (2) order the Company to modify its tariff for water and sewer service to reflect the additional service area; (3) order a rate review to be conducted within eighteen months of commencement of actual operation to determine the reasonableness of consolidated rates for the Jefferson County area; and (4) make no finding that would preclude the right to consider the ratemaking treatment to be afforded any matters addressed herein, or any future expenditures by the Company in any later proceeding.

The Office of the Public Counsel has been served copies of the application and all subsequent pleadings but has not participated in this case. Since no one requested permission to intervene, and since there are no requests for a hearing, the Commission determines that no hearing is necessary. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989).

Upon review of the application, the Staff's recommendation, and the entirety of the file, the Commission finds that Applicant is a "water corporation," a "sewer corporation," and a "public utility" as defined in Sections 386.020(58), (48) and (42), RSMo Supp. 1997, respectively. The Commission will waive the requirement of 4 CSR 240-060(E)(5) for Applicant to complete a feasibility study because the utility system was initially constructed by the previous owner and because the costs for upgrades to the system will be addressed in an eighteen-month rate review. The Commission

finds it is in the public interest for Applicant to construct, install, own, operate, control, manage and maintain water and sewer facilities and to render water and sewer service for the public located in the unincorporated area of Jefferson County as described by the map and metes and bounds description attached to the application filed by the Company on September 22. The Commission will approve the application subject to the conditions recommended by Staff.

IT IS THEREFORE ORDERED:

1. That Silverleaf Resorts, Inc. is granted a certificate of public convenience and necessity to construct, install, own, operate, control, manage and maintain water and sewer facilities and to render water and sewer service for the public located in the unincorporated area of Jefferson County as described by the map and metes and bounds description attached to the application filed by the Company on September 22.

2. That the certificate of convenience and necessity referenced in ordered paragraph 1 shall become effective simultaneous with the effective date of the tariff sheets required to be filed and approved pursuant to ordered paragraph 3.

3. That Silverleaf Resorts, Inc. shall file with the Commission tariff sheets modifying its water and sewer service to reflect the additional service area granted herein.

4. That the Staff of the Commission shall conduct a rate review within eighteen months of commencement of operation to determine reasonableness of consolidated rates for the Jefferson County service area of Silverleaf Resorts, Inc.

5. That the requirement of 4 CSR 240-2.060(2)(F)(5) for Silverleaf Resorts, Inc. to complete a feasibility study is waived.

6. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures herein involved, nor of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed on said property.

7. That the Commission reserves the right to consider the ratemaking treatment to be afforded the properties herein involved, and the resulting cost of capital, in any later proceeding.

8. That this order shall become effective on March 24, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

G. George, Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION