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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 19th
day of May, 1998.

In the Matter of the Application of)
Capital Utilities, Inc., for a Certificate)
Of Convenience and Necessity Authorizing it)
to Construct, Install, Own, Operate,)
Control, Manage and Maintain Water and) Case No. WA-98-165
Sewer Utility Properties for the Public in)
an Unincorporated Area of Callaway County,)
Missouri, known as Ryan's Lake.)

ORDER GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

On October 6, 1997, Capital Utilities, Inc. (CU) filed an application with the Commission requesting a certificate of convenience and necessity authorizing it to construct, own, and operate water and sewer systems for the public in an unincorporated area of Callaway County, Missouri, known as Ryan's Lake, and as set out in a plat map and metes and bounds description attached to the application. In addition to the plat map and metes and bounds description of the proposed area, CU filed a feasibility study and stated in its application that no other utility, regulated or unregulated, currently operates a sewer or water system in the proposed area. On December 1 CU filed a First Amended Application, which requested authority to own and operate sewer properties only, contained a more detailed feasibility study, and made minor filing modifications.

On October 27 the Commission issued an Order and Notice and directed interested parties to file an application to intervene no later than November 21. No applications to intervene were filed.

On February 23, 1998, the Staff of the Missouri Public Service Commission (Staff) filed a Memorandum in the official case file. Staff

states that Capital already has a certificate to provide water and sewer service in portions of Cole and Callaway counties, and that CU has proposed that the currently approved rules and rates be applied in the new Ryan's Lake area. The current monthly rate is \$22.53. Staff believes this proposal to be reasonable since the new Ryan's Lake system will be served by a small treatment facility in a manner similar to the way in which current CU customers are served, and the operation of the new system will be included as a part of CU's existing operations. Furthermore, CU will accept the treatment facility and sewer system as contributed property from the developers, which is how other systems within the existing service area were accepted.

The updated feasibility study (Appendix 3 to the First Amended Application) shows that CU expects negative net income for at least the first year. Staff does not believe that this initial loss will harm existing customers, and expects that future growth in the new area will have a positive effect on existing customers.

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).

The Commission finds it is in the public interest for Applicant to construct, install, own, operate, control, manage and maintain sewer facilities and to render sewer service for the public located in the unincorporated area of Callaway County as described by the map and metes and bounds description attached to the application filed by the Company on December 1. The Commission will approve the application.

IT IS THEREFORE ORDERED:

1. That Capital Utilities, Inc. is granted a certificate of public convenience and necessity to construct, install, own, operate, control, manage and maintain sewer facilities and to render sewer service for the public located in the unincorporated area of Callaway County as described by the map and metes and bounds description attached to its application filed on December 1, 1997.

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 Capital Utilities, Inc. shall file with the Commission tariff sheets modifying its sewer service to reflect the additional service area granted herein.

4. 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.

5. 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.

6. That this order shall become effective on May 27, 1998.

BY THE COMMISSION

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Murray, Schemenauer
and Drainer, CC., concur.
Crumpton, C., absent.

Mills, Deputy Chief Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION