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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 9th
day of February, 1999.

In the Matter of the Joint Application of)
Ozark Mountain Water Company and Riverside)
Utility Company to Sell and Transfer Its)
Franchise, Works or System to Riverside)
Utility Company.)
Case No. WM-99-165

ORDER APPROVING SALE AND TRANSFER OF ASSETS

Ozark Mountain Water Company (Ozark Mountain) and Riverside Utility Company (Riverside) filed a joint application on October 16, 1998, requesting an order approving the sale and transfer of assets, including Ozark Mountain's water franchise, works or system to Riverside.

The application stated that Ozark Mountain is a Missouri corporation duly organized and existing under the laws of the State of Missouri with its principal place of business located at Shell Knob, Missouri. The application also stated that Ozark Mountain is engaged in the business of providing water service to the public pursuant to a certificate of public convenience and necessity issued by the Commission, and that Ozark Mountain is a public utility as defined in Section 386.020(32), RSMo 1994.

In addition, the joint application stated that Riverside is a Missouri corporation duly organized and existing under the laws of the State of Missouri with its principal office and place of business located at 312 Lafayette Street, Jefferson City, Missouri. The

application stated that Riverside is also engaged in the provision of water service pursuant to a certificate of convenience and necessity issued by this Commission and that Riverside is a public utility as defined in Section 386.020(32), RSMo 1994.

The joint applicants stated that Ozark Mountain proposes to sell and transfer to Riverside all of Ozark Mountain's franchise, works or system necessary and useful in the rendition of water service to its customers in its certificated area. The application stated that the specific terms and conditions of the sale are set forth in an Agreement for Sale of Water Systems (Agreement), which was filed as an attachment to the application. Also attached to the application were copies of the resolutions of the board of directors of Ozark Mountain and Riverside, authorizing the sale of assets which is the subject of this joint application. According to the application, upon completion of the sale and transfer of assets, Ozark Mountain will distribute the net proceeds of the sale to its shareholders and discontinue water service in the certificated area.

The joint applicants stated that the proposed sale is not detrimental to the public interest because Riverside is an existing water corporation and public utility whose management possesses a considerable amount of experience in the provision of water service. In addition, the joint applicants stated that Riverside possesses the managerial, engineering and financial expertise to continue to provide good quality water service to the public currently served by Ozark Mountain. The joint application also stated that because of

Riverside's larger size, it may be able to take advantage of certain economies of scale in its operation and management of Ozark Mountain's water facilities which have not previously been available to Ozark Mountain. The application indicated that Riverside proposes to adopt Ozark Mountain's water rates currently on file for Barry and Stone counties for this service.

The joint applicants stated that the proposed transaction should have no impact on the tax revenues of the political subdivision in which Ozark Mountain's structures, facilities or equipment are now located because Riverside is an investor-owned utility and, as such, will continue to be subject to the same tax liabilities as Ozark Mountain. The joint applicants requested that the Commission issue an order:

- (1) authorizing Ozark Mountain to sell, transfer and assign its franchise, works or system to Riverside pursuant to the terms and conditions contained in the Agreement for sale of water system;
- (2) authorizing transfer of Ozark Mountain's certificate of convenience and necessity to Riverside or, in the alternative, granting to Riverside a new certificate of convenience and necessity for the area of service previously served by Ozark Mountain;
- (3) authorizing Ozark Mountain to discontinue providing water service; and
- (4) authorizing Riverside to file tariffs in accordance with the Commission's orders.

On November 2, the Commission issued its Order and Notice notifying any party who wished to intervene in this proceeding that it must do so by December 2. No interventions or request for hearing were received by the Commission.

The requirement of a hearing has been fulfilled when all those having a desire to be heard are offered an opportunity to be heard. If no proper party is granted intervention and neither the Commission's Staff nor the Office of the Public Counsel requests a hearing, the Commission may determine that a hearing is not necessary and that the applicants may submit their evidence in support of the application by verified statement. State ex rel. Deffenderfer Enterprises, Inc. v. P.S.C., 776 S.W.2d 494, 496 (Mo. App. 1989).

On January 21, 1999, the Staff of the Commission (Staff) filed its recommendation. Staff noted in its recommendation that Ozark Mountain was granted authority to operate in Case Nos. WA-78-170, WA-87-98 and WA-88-121. Further, the Staff indicated that Ozark Mountain serves approximately 347 customers in several subdivision plats, generally known as Turkey Mountain Estates, in Barry County. The Staff's memorandum also stated that Riverside has been in business as a regulated utility since 1982 and currently provides water service to approximately 456 customers in three areas, including Riverside Estates in Taney County, White Branch Resort Development in Benton County and Rankin Acres Subdivision in Greene County. Staff noted that Riverside proposes to provide service to customers under rates that are presently approved for Ozark Mountain. Staff stated that it believes that Riverside has demonstrated that it has adequate technical, managerial and financial resources to provide utility service in its existing service areas, and that acquisition of the Ozark Mountain system will have no negative impact to such resources.

Staff stated that the transfer and sale as proposed is not detrimental to the public interest. In its recommendation, Staff stated that it recommends that the Commission:

- (1) authorize Ozark Mountain to transfer its water system assets to Riverside, and grant Riverside a certificate to provide water service in the area presently served by Ozark Mountain;
- (2) order Riverside to file tariff sheets reflecting the service area and rates for the present Ozark Mountain service area, with an effective date coinciding with a date set for the closing on the assets;
- (3) cancel the certificate and tariff on file for Ozark Mountain when the Riverside tariff sheets become effective;
- (4) order Riverside to submit journal entries reflecting the acquisition of Ozark Mountain system within ten days after the closing, and;
- (5) make no finding that would bind any party to any cost allocation or ratemaking principle in any future case.

The Commission has reviewed the application and Staff's recommendation and determines that the sale is not detrimental to the public interest. The Commission will approve the sale as set out in the application in this case, with the conditions recommended in the Staff memorandum.

IT IS THEREFORE ORDERED:

1. That the proposed sale and transfer of the water system assets from Ozark Mountain Water County to Riverside Utility Company, as set out in detail in the application of Ozark Mountain Water Company and Riverside Company filed on October 16, 1998, is hereby approved.

2. That Riverside Utility Company will file tariff sheets reflecting the necessary changes as authorized in this order by March 11, 1999, with an effective date for the tariff sheets which coincides with the date set for closing on the assets and which is at least 30 days after the issue of the tariff sheets.

3. That Riverside Utility Company's request for a certificate of public necessity to provide water service in the area presently served by Ozark Mountain Water Company is granted, effective for service on the same date that Riverside Utility Company's tariff sheets become effective.

4. That Ozark Mountain Water Company's certificate of public necessity and accompanying tariffs to provide water service are canceled, effective on the same date that Riverside Utility Company's tariff sheets become effective.

5. That Riverside Utility Company file with the Commission a copy of all journal entries made in connection with the authorized transaction within ten days after the date of closing on the assets.

6. That nothing in this order shall be considered a finding by the Commission of the value for ratemaking purposes of the assets subject to sale and transfer herein involved.

7. That the Commission reserves the right to consider any ratemaking treatment to be afforded the sale and transfer of the assets herein involved in a latter proceeding.

8. That this order shall become effective on February 19, 1999.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Register, Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION