

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 20th
day of August, 1996.

In the Matter of the Application of)
Spokane Highlands Water Company for a)
Certificate of Convenience and)
Necessity Authorizing it to Construct,)
Install, Operate, and Maintain a) Case No. WA-96-246
Water System and to Supply and Render)
Water Service to the Public Located)
in and around an Unincorporated Area)
Near Spokane, Christian County,)
Missouri.)

**ORDER GRANTING CERTIFICATE
OF CONVENIENCE AND NECESSITY**

On February 2, 1996, Spokane Highlands Water Company (Highlands) filed an application with the Commission for a certificate of convenience and necessity to build, operate and maintain a water system for the public in a development area known as Spokane Highlands, located in an unincorporated area of Christian County, Missouri. Highlands also requests authority to engage in the acquisition of all necessary easements and rights of way. The application was accompanied by a plat and legal description of the area and a feasibility study.

On February 6, 1996, the Commission issued an order and notice, providing for notice and intervention of proper parties. No interventions were requested, and the Staff of the Commission (Staff), in its recommendation, made no reference as to having received any adverse comments in regard to the application.

On August 2, 1996, the Staff filed its recommendation. The Staff stated that the proposed area is currently being developed by the owners of the water company and includes 74 lots, now being sold as single family

residential parcels. The Staff stated that it reviewed Highland's filing and conducted a field inspection audit of the facilities. The Staff reported Highlands' current cost of debt to be 10.75%, with a return on common equity of 12%, making a reasonable rate of return of 11.1%. Highlands' current capital structure includes 54% common equity and 46% debt.

The Staff proposed the following rates:

Monthly rates, calculated using the third-year customer level of 60 single family residences, and monthly use of 6,000 gallons, are recommended as follows:

Monthly minimum, including first 2,000 gallons \$11.19

Commodity charge, per 1,000 gallons over 2,000 gallons \$ 2.31

The water bill for an average use of 6,000 gallons water use per month would be \$20.43.

A one-time connection charge is necessary to pay for new meter installations. The recommended connection charge is \$350 for a residential connection. This is based on actual cost of material for a service connection, which includes the meter, box and lid, yoke, about 50 feet of pipe, saddle, and connecting parts, plus estimated labor and backhoe expense.

Based on its review, the Staff made the following recommendations:

1. Approve a Certificate for water service as proposed in the Application, to be effective upon the effective date of tariffs to be filed as addressed herein;
2. Approve rates as described herein, to be reviewed by the Staff within eighteen months of the effective date of tariffs to be filed in this case;
3. Approve depreciation accrual rates as shown on Attachment 1;
4. Order the Company to file complete tariffs for water service, such tariffs to include service area descriptions consistent with the Application, and rates and rules consistent with the Staff's recommendations herein;
5. Order the company to keep its books and records in accordance with the Uniform System of Accounts For Class C and D Sewer Utilities, along with appropriate documentation as described herein;

6. Make no finding that would preclude the right to consider the ratemaking treatment to be afforded any matters herein, or any future expenditures by the Company in any later proceeding.

The Office of the Public Counsel filed a memo stating that it had no objection to the Staff recommendation.

After review of the Application, accompanying documentation, and the Staff recommendation, the Commission finds that, as a result of the rapid growth of the service area, the issuance of the requested certificate of convenience and necessity for water service to Spokane Highlands is in the public interest. In addition, the Commission finds the proposed rates, as set out in the Staff recommendation, to be just and reasonable. The Commission will order Highlands to file the appropriate tariffs in accordance with the Staff rate proposals and remainder of the Staff recommendations as set out above, prior to commencing operations.

IT IS THEREFORE ORDERED:

1. That Spokane Highlands Water Company is hereby granted a certificate of convenience and necessity to build, operate and maintain a water service for the public within an unincorporated area of Christian County, Missouri, known as Spokane Highlands, and to acquire the necessary easements and rights of way as appropriate.

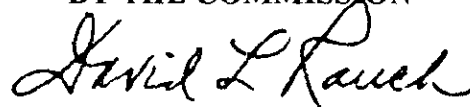
2. That Spokane Highlands Water Company shall file in this docket a complete set of rates, rules, service area description, and other necessary tariffs, including tariffs fully incorporating the recommendations of the Staff as set out in this order, prior to commencing operations.

3. That the Staff of the Commission shall review all filed tariffs within 18 months of the effective date of this order to determine whether the rates for service remain reasonable.

4. That the Commission makes no findings as to the ratemaking treatment to be accorded any matter herein, and may, at any time, consider any current or future expenditure of Spokane Highlands Water Company in any future proceeding.

5. That this order shall become effective on August 30, 1996.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Zobrist, Chm., Kincheloe,
Crompton, and Drainer, CC., Concur.
McClure, C., Absent.

ALJ: Derque