

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience)
and Necessity Authorizing it to Install,) **Case No. SA-2015-0150**
Own, Acquire, Construct, Operate,)
Control, Manage and Maintain a Sewer)
System in and around the City of Arnold, MO.)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and hereby recommends, subject to the conditions contained herein, that the Missouri Public Service Commission (Commission) grant to Missouri American Water Company (MAWC), Certificates of Convenience and Necessity (CCN) to provide regulated sewer service in an around the City of Arnold, MO (City).

In support of this *Recommendation*, Staff states as follows:

1. On December 19, 2014 the applicant filed an application for a certificate of convenience and necessity to operate a sewer utility in and around Arnold Missouri and the application was assigned case number SA-2015-0150. On December 22, 2014, the Commission issued its *Order Directing Notice and Setting Date for Submission of Intervention Requests*. On January 21, 2015, the Missouri Attorney General's Office on behalf of the Department of Natural Resources sought intervention into the case which the Commission granted on February 20, 2015. On January 28, 2015, Staff filed a Status Report, in which Staff stated that it expected to be able to file a recommendation on or before April 2, 2015. This filing complies with the notice provided to the Commission on January 28, 2015.

2. The City, with a population of over 20,000, is located along Interstate Highway 55 in Jefferson County, along the Meramec River, and is effectively a part of the suburban St. Louis area. The City's sewer utility operation, as a municipally-owned system, is not subject to regulation by the Commission. Most but not all areas within the City's municipal boundary limits are served by the Arnold Sewer System, and there are some areas where the Arnold Sewer System extends outside of the municipal limits.

3. During the November 2014 general election, the City placed on the ballot the question of whether the City should sell the Arnold Sewer System to MAWC. MAWC had proposed to purchase the Arnold Sewer System for approximately \$13 million and the assumption of nearly \$8 million in debt owed to the Metropolitan Sewer District. When this transaction was presented to the voters of the City, 69.18% (3,723 of 5,382 votes cast) voted in favor of the transaction. There appears to have been substantial public information pertaining to this matter provided and available to the residents of the City. Therefore, Staff does not believe that a public hearing is warranted in this matter.

4. Pursuant to Section 393.170, RSMo (2000), no water and/or sewer corporation shall provide service to consumers without first having obtained approval from the Commission. In determining whether or not to grant such approval the Commission has traditionally applied the five "Tartan Energy Criteria" established in In the Matter of Tartan Energy Company, et al., 3 Mo. PSC 3d 173, 177 (1994). These criteria are further explained in the attached Staff Memorandum, Appendix A, and incorporated by reference herein.

5. As explained in Appendix A, Staff conducted an investigation into MAWC's request including, but not limited to, a review of the feasibility studies provided by the Company and an evaluation of its estimated capital costs and proposed operating expenses. Based upon this review, Staff has determined that MAWC fulfills the requirements of the Tartan Energy Criteria.

6. MAWC proposes, as stated in the Application, that its service area for the Arnold Sewer System it proposes to acquire from the City, referred to herein as the "Arnold Service Area," be described as "The City of Arnold and the Surrounding Area." Staff takes the position that this is not a legal description that meets the requirements of the Commission's filing requirements as found at 4 CSR 240-3.305¹ or 4 CSR 240-3.340². Staff and MAWC are in the process of working on a service area description that more accurately describes and reflects the service area boundary proposed in this case. A finalized written legal description of the service area, consistent with 4 CSR 240-3.305 and 4 CSR 240-3.340, will be included as a late-filed document in this case as soon as possible after Staff and MAWC have a finalized version available.

7. Staff takes the position that approval of a CCN for MAWC to provide sewer service in the Arnold Service Area is not detrimental to the public interest. The current owner of the assets, the City, wishes to transfer the assets to MAWC, and MAWC has adequate technical, managerial, and financial capacity to operate and maintain the facilities and provide service to customers. Additionally, it appears there is

¹ 4 CSR 240-3.305(1)(A)(3), *Filing Requirements for Sewer Utility Applications for Certificates of Convenience and Necessity*, states that if the application is for a service area the applicant shall provide "The legal description of the area to be certificated".

² 4 CSR 240-3.340(1), *Filing Requirements for Sewer Utility Tariff Schedules*, provides that any tariff on file with the Commission provided by the sewer utility shall contain "all maps of the area served or professed to be served **and** the legal description thereof." (emphasis added).

a strong desire by the citizens of the City for MAWC to take over the assets given the public vote and nearly 70% approval of the acquisition.

WHEREFORE, Staff respectfully submits this *Staff Recommendation* for the Commission's information and consideration and hereby requests the Commission issue an Order granting MAWC a Certificates of Convenience and Necessity to Install, Own, Acquire, Construct, Operate, Control, Manage, and Maintain a Sewer System in and around the City of Arnold, Missouri, subject to the conditions contained in Appendix A.

Respectfully submitted,

/s/ Cydney D. Mayfield

Cydney D. Mayfield
Missouri Bar Number 57569
Senior Counsel
Attorney for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573-751-4227 (Voice)
573-526-6969 (Fax)
cydney.mayfield@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by First Class United States Mail, postage prepaid, on this 1st day of April, 2015, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission.

/s/ Cydney D. Mayfield

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SA-2015-0150
Missouri-American Water Company

FROM: Jim Merciel – Water and Sewer Unit; Case Coordinator
Amanda McMellen – Auditing Unit
John Robinett – Engineering and Management Services Unit
Lisa Kremer – Engineering and Management Services Unit

<u>/s/ Jim Merciel</u>	<u>April 1, 2015</u>
Case Coordinator	Date
<u>/s/ Kevin Thompson</u>	<u>April 1, 2015</u>
Staff Counsel	Date

SUBJECT: Staff's Recommendation to Approve a Certificate of Convenience and Necessity (Arnold)

DATE: April 1, 2015

CASE BACKGROUND

On December 19, 2014, Missouri-American Water Company (MAWC or Company) filed an *Application and, if Necessary, Motion for Waiver* (Application) with the Commission seeking a Certificate of Convenience and Necessity (CCN) and authority to own and operate a public sewer system and provide sewer service in and around the City of Arnold, MO (City). In the Application, MAWC states that it intends to provide service in the area by acquiring an existing sewer system that is presently owned by the City, referred to herein as the Arnold Sewer System.

On December 22, 2014, the Commission issued its *Order Directing Notice, Setting Date for Applications to Intervene and Directing Staff to File a Recommendation* regarding the Company's Application. This Order directed the Commission's Data Center and Public Information Office to send out notices regarding the Application, and also established the dates January 21, 2015 for interested parties to submit requests to intervene in the case, and January 31, 2015 for Staff to file a recommendation or a status update. On January 21, 2015, the Missouri Department of Natural Resources (DNR) submitted an application to intervene, which the Commission granted on February 20, 2015. On January 28, 2015, Staff filed a *Status Report*, in which Staff stated that it expected to be able to file a recommendation on or before April 2, 2015.

APPENDIX A

BACKGROUND OF THE UTILITY SYSTEM

The City, with a population of over 20,000, is located along Interstate Highway 55 in Jefferson County, along the Meramec River, and is effectively a part of the suburban St. Louis area. The City's sewer utility operation, as a municipally-owned utility, is not subject to regulation by the Commission. According to MAWC's application, it presently has a mix of approximately 8,800 residential, commercial and industrial customers.

The Arnold Sewer System consists of gravity sewers, six lift stations with force mains, and two metering points where sewage is sent to the Metropolitan St. Louis Sewer District (MSD) for wholesale treatment at MSD's Lower Meramec Wastewater Treatment Facility, which is located across the Meramec River from the City. Portions of the Arnold Sewer System were constructed in relatively recent years under the authorization of the City, either as new development took place or for developed but unsewered areas. Other portions of the Arnold Sewer System are comprised of what were small subdivision-size sewer systems with individual treatment facilities that pre-date the existence of the City's utility operation. Several of these older systems were owned and operated by regulated sewer utilities in the 1960s through the 1980s, were sold to the City, and then consolidated by the City into what is now a single municipal sewer system by connecting the collection systems and eliminating small treatment facilities. Since some portions of the Arnold Sewer System are of considerable age, the City has undertaken rehabilitation projects in the past; and additional rehabilitation and repairs will continue to be necessary in the future.

Most but not all areas within the City's municipal boundary limits are served by the Arnold Sewer System. There are also some areas where the Arnold Sewer System extends outside of the municipal limits.

STAFF'S INVESTIGATION

MAWC is a regulated water and sewer utility serving more than 450,000 water customers and more than 4,000 sewer customers throughout the state. It has been in business as a water utility for many decades, and over the years it has acquired some of its systems, both large and small, through various mergers and acquisitions. In recent years, MAWC has acquired several small existing water and sewer systems. MAWC is a subsidiary of American Water Works Company, Inc., and is affiliated with other companies that undertake some of the tasks associated with utility service.

MAWC proposes, as stated in the Application, that its service area for the Arnold Sewer System it proposes to acquire from the City, referred to herein as the "Arnold Service Area," be described as "The City of Arnold and the Surrounding Area." Staff takes the position that this is not a legal description that meets the requirements of the Commission's filing requirements as found at 4 CSR 240-3.340. Staff and MAWC are in the process of working on a service area description that more accurately describes and reflects the service area boundary proposed in this case. A map corresponding to this description is included as Attachment A and incorporated herein by reference. Staff and MAWC agree that this map accurately depicts the intended service area, and is a final

version. A draft of a revised service area description is included as Attachment B and incorporated herein by reference. However, it is a draft because Staff and MAWC have not yet finalized the exact wording of this description. A finalized written description will be included as a late-filed document in this case as soon as possible after Staff and MAWC have a finalized version available.

MAWC will need tariff rules and published rates in effect when it begins providing sewer service in the Arnold Service Area. In its Application, MAWC stated that it intends to utilize rates and rules that are currently in effect for sewer service in its Cedar Hill operating district, which is approved by the Commission and published as MAWC's sewer tariff No. 8 in the Commission's electronic filing and information system (EFIS). However, upon further tariff review and working on revisions, MAWC determined that writing a new tariff document for the Arnold Service Area would be a more straightforward and preferred way to apply rules and rates. A new tariff for the Arnold Service Area would become MAWC's tariff No. 21 in EFIS. Staff agrees that this approach is reasonable, and is currently working with MAWC in developing such a tariff document for filing after approval of this proposed CCN, and before acquisition of the Arnold Sewer System.

In paragraph 13 of its Application, MAWC requests approval of rates for sewer service that are identical to rates presently charged by the City, except MAWC proposes to bill customers on a monthly basis instead of quarterly as is the City's practice. Current rates, as specified by the City's ordinances, are \$73.00 per quarter for the first 15,000 gallons (water usage) plus \$4.35 per 1,000 gallons over 15,000 gallons usage. There is also a provision for a rate that is reduced by 14% to be charged to the neighboring Rock Creek Public Sewer District (Sewer District), applicable to any of its customers who are directly connected to the Arnold Sewer System. The City's Ordinance No. 24-83, pertaining to sewer rates, is included as Attachment C and incorporated herein by reference. MAWC's proposed monthly rates would be one-third of the current \$73.00 quarterly charge, or \$24.33 per month for the first 5,000 gallons water usage, plus \$4.35 per 1,000 gallons over 5,000 gallons usage. The proposed rate for the Sewer District, applicable for its customers connected to the Arnold Sewer System, is \$20.93 per month for the first 5,000 gallons water usage, plus \$4.35 per 1,000 gallons over 5,000 gallons usage. Staff agrees this proposal for rates is reasonable.

These tariff provisions should be effective prior to MAWC closing on the assets and providing service in the Arnold Service Area. Staff will offer to continue to assist MAWC with the preparation of an appropriate tariff document, if desired.

PUBLIC NOTICE

At the November 2014 general election, the City asked its citizens to determine whether the City should sell the Arnold Sewer System to MAWC. MAWC had proposed to purchase the Arnold Sewer System for approximately \$13 million and the assumption of nearly \$8 million in debt owed to MSD. MAWC further intends to invest over \$5 million in upgrades to ensure the Arnold Sewer System is compliant with applicable law. When this transaction was presented to the voters of the City, 69.18% (3,723 of 5,382 votes cast) voted in favor of the transaction.¹ There appears to have

¹ The proposed sale and voting information as stated herein is as presented in paragraph 10 of MAWC's Application.

been substantial public information pertaining to this matter provided and available to the residents of the City of Arnold. After the City's council voted to place the Arnold Sewer System sale on the ballot, a news article appeared in the Jefferson County Leader on August 15, 2014; the article is posted on the Leader's website, and a copy is included as Attachment D and incorporated herein by reference. Prior to the election, MAWC and the City undertook an educational campaign by providing information and conducting some local meetings, as outlined in Attachment E, which is a document provided to Staff by MAWC. A message from the City's mayor, a newspaper article and an editorial appeared in the Arnold-Imperial Leader on October 30, 2014, a copy of which was provided to Staff by MAWC and is included as Attachment F and incorporated herein by reference.

TECHNICAL, MANAGERIAL, AND FINANCIAL CAPACITY

DNR reviews new proposed water system operations using, among other criteria, determination of technical, managerial and financial capacities of the operation, referred to as "TMF." These review criteria points were developed by the United States Environmental Protection Agency. Although utilized by DNR for new water systems, Staff finds the concepts of TMF useful in studying some situations involving existing water and/or sewer systems as well. Staff's TMF review is as follows:

Technical Capacity

MAWC, along with its affiliates, has experience in the design, operations and upgrades of water and sewer systems, both large and small. MAWC has a staff of professional operators, engineers, technicians, accountants and customer service specialists, including those within various supervisory levels, to undertake utility operations, and also has access to professional personnel of its affiliates. MAWC also utilizes contractors for various tasks primarily for extraordinary work or to supplement in-house work during unusually heavy workload times. The Arnold Service Area is within reasonable working proximity to other water and sewer systems owned and operated by MAWC, specifically a large water system serving St. Louis County, and a sewer system in Cedar Hill, MO approximately 20 miles distant. MAWC has demonstrated, over many years, its ability to operate water and sewer systems on a continual basis from a technical capacity perspective.

There are no significant or unusual deficiencies with the Arnold Sewer System collection system and lift stations. Since there are portions of the Arnold Sewer System that are old, MAWC will likely need to continue to undertake rehabilitation projects. Any such capital costs will be reviewed in the context of the future rate cases. In addition to requirements of the Commission, MAWC will need to continue, or implement, operations procedures that would comply with DNR requirements.

Managerial Capacity

Similar to its technical capacity, MAWC's staff of professionals, along with staff associated with MAWC's affiliates, provides the ability to undertake facility operations, and handle all aspects of customer service. MAWC has, at most times over the years, demonstrated such ability with other service areas; however, Staff points out that recently MAWC has experienced some issues with

certain aspects of services provided to its customers through affiliates. MAWC utilizes a nationwide billing system and utilizes nationwide call centers through affiliates. In order to include the Arnold Service Area customers into its billing and customer service systems, it will be necessary for MAWC, along with its affiliates, to properly enter the Arnold Service Area customers' account information into its billing system as sewer customers, to accurately apply the appropriate approved rates, and to obtain and record correct meter readings. Also, it will be necessary for MAWC or an affiliate to provide updated information to the call center personnel, and training as necessary, regarding rates and rules applicable to the Arnold Service Area customers such that billings are accurate and customer service matters are handled accurately, properly and in a timely fashion.

Financial Capacity

MAWC has demonstrated over many years that it has financial resources to operate utility systems that it owns, to acquire new systems, to undertake construction of new systems and expansions of existing systems, to plan and undertake scheduled capital improvements, and timely respond and resolve emergency issues when such situations arise.

The Auditing Unit conducted a review of plant-in-service records and expense records for the Arnold Service Area. Attachment G, incorporated herein by reference, shows information for Arnold Service Area projected plant-in-service, depreciation reserve, Contribution in Aid of Construction (CIAC) and CIAC amortization balances as of August 31, 2014, with an estimated rate base as of that date of \$13,608,051².

In regard to the matter of whether an acquisition premium exists as a result of the proposed acquisition, the purchase price being paid by MAWC is less than the net book value, as calculated by Staff for the sewer assets that are being acquired, and less than the rate base amount estimated by Staff. Staff recommends that the account balances shown in Attachment G to this Memorandum should be the account balances as of August 31, 2014, to be used by MAWC as of that date. However, this Staff-recommended balance could be subject to change or modification in future cases, if and when additional information becomes available.

By Commission regulations, MAWC should keep its financial records for utility plant-in-service and operating expenses in accordance with the National Association of Regulatory Utility Commission (NARUC) Uniform System of Accounts. Staff will recommend the Commission specifically require such recordkeeping requirements apply to the Arnold Sewer System.

The Commission's Engineering and Management Services Unit (EMSU) recommends the Commission approve the use of current sewer depreciation rates that were ordered by the Commission for MAWC in Case No. WR-2011-0337, to be applied to the Arnold Sewer System

² This rate base number simply reflects Staff's findings in a review, and is presented for information only. There has been no negotiation with other parties who might be interested in a rate base level and who might believe a different number is appropriate. The Staff is not recommending that the Commission make any finding on rate base level, nor make adjustments to any existing rates or charges, in this case.

assets. The depreciation rate schedule for sewer assets are included as Attachment H, and incorporated herein by reference.

CUSTOMER SERVICE AND BILLING ISSUES

In previous CCN or transfer cases where MAWC was acquiring systems and additional customers, Staff either stipulated or recommended that MAWC undertake actions and submit reports to Staff that address a variety of customer service and billing issues. These actions and reports were stipulated or recommended in Case Nos. WM-2001-0309, WR-2003-0500 and WR-2007-0216 in order to 1) ensure transparency to the former customers during the transition period, 2) ensure the Company's billing information was accurate, 3) ensure the former customers were being properly billed and 4) ensure the Company adhered to applicable rules and regulations and its tariffs. To address these matters specifically as applicable to MAWC's adherence with the Commission's regulations pertaining to customer billing, Staff recommends that an order that would be issued by the Commission:

- Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13.020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application;
- Requires MAWC to distribute to each of the Arnold Service Area customers, prior to the first billing from MAWC, an informational brochure pertaining to sewer service, detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 4 CSR 240-13(3);
- Requires MAWC to include the Arnold Service Area customers along with existing customers for its monthly reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing, 7) Call Center Staffing Levels, including job titles and the number of people employed in each category, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated meter reads, 10) the number of consecutive estimated reads and 11) the meter reader staffing levels;
- Requires MAWC to provide adequate training necessary for the correct application of rates and rules that result from the issuance of this CCN to all customer service representatives prior to the Arnold Service Area customers receiving their first bill from MAWC;
- Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Arnold Service Area customers that were issued for greater than thirty-five (35) days of service;
- Requires MAWC to provide to the EMSU staff, within thirty (30) days after billing, a sample of eighty (80) billing statements of residential customers and ten (10) billing statements of

commercial customers of its first month bills issued to the Arnold Service Area customers, in order to check for accuracy.

In Case No. WC-2014-0138, a complaint filed by the Office of the Public Counsel against MAWC on November 13, 2013, and subsequently consolidated with 25 formal complaints filed by individual customers regarding similar service issues in MAWC's Stonebridge service area, Staff was made aware of customer service and billing issues. There were twenty (20) recommendations made to MAWC in Staff's Report filed March 14, 2014.

Staff wants to ensure that the Arnold Service Area customers are accurately billed by the MAWC, and for this reason recommends the Commission order MAWC to require these actions and reports to apply to the Arnold Service Area as well as to MAWC's existing service areas.

THE TARTAN ENERGY CRITERIA

As is customary with most cases involving a new CCN, Staff is using criteria similar to that which was studied by the Commission in a past CCN case that was filed by the Tartan Energy Company to justify granting a CCN, as follows:

Is there a need for service?

Yes, there is a need for service, in that residential customers desire and need sewer service. Additionally, proper operation and upkeep of the existing Arnold Sewer System is necessary in order that customers will have safe and adequate service, and to maintain compliance with water pollution regulations.

Is the Company qualified to provide the service?

Yes, MAWC is qualified to provide the service, as is demonstrated by its providing the same or similar service in other areas of Missouri. Staff has determined that MAWC is able to assume operations of the existing Arnold Sewer System, and is capable of undertaking necessary future improvements for continued operations of the systems.

Does the Company have the financial ability to provide the service?

Yes, MAWC has demonstrated that it has sufficient financial resources, and is able to evaluate the costs of alternatives when undertaking operations and capital improvements.

Is the Company's proposal economically feasible?

Yes, the proposal is economically feasible, based on Staff's overall evaluation and MAWC's ability to combine the proposed operation into its existing operations.

Does the Company’s proposal promote the public interest?

Yes, MAWC’s proposal to acquire the responsibility from current owners and provide future service promotes the public interest.

Could the service be provided by another entity?

Except for the City as the current owner of the Arnold Sewer System, there are no other entities readily available to provide service. The City desires that the Arnold Sewer System be transferred to MAWC and that it thereby be relieved of the responsibilities associated with sewer service in this area.

CERTIFICATE OF CONVENIENCE AND NECESSITY

MAWC will need to hold a CCN, and an appropriate effective tariff, when it closes and acquires the Arnold Sewer System assets, and actually begins providing service to customers. Therefore, Staff recommends that the Commission immediately grant MAWC a CCN, for a service area as requested and as shown by Attachments A and B, the exercise of which MAWC may begin upon acquisition of the Arnold Sewer System assets. Staff recommends that MAWC be required to notify the Commission within five (5) business days after closing takes place. If such transfer does not take place within thirty (30) days after the effective date of a Commission order approving a CCN, then MAWC should submit a status report within five (5) days following that period of time regarding closing of assets, as well as further status reports within five (5) days of each thirty (30) day period following that as necessary. In the event that MAWC determines that closing will not take place at all and it thus will not be providing service in the Arnold Service Area, then MAWC shall notify the Commission of such, at which time the CCN issued to MAWC for the Arnold Service Area should be either canceled or deemed null and void by the Commission.

Staff recommends that MAWC be authorized to file a complete new sewer tariff, which would be its EFIS tariff No. 21 as described above in this memorandum, no later than thirty (30) days after the effective date of the Commission’s order approving a CCN, with 30-day notice, but prior to closing on the assets. Staff also recommends that sewer service not be provided by MAWC in the Arnold Service Area until such a tariff is in effect, but that MAWC could seek expedited treatment if the closing of assets is expected to occur earlier than a filed tariff effective date. In the event that such a tariff is filed and goes into effect for the Arnold Service Area, and MAWC subsequently determines that it will not be able to close on the sewer utility assets and will not be providing service in the Arnold Service Area, then the Commission should cancel the tariff.

OTHER ISSUES

MAWC is current on its annual reports through calendar year 2013, and is current on annual assessment payments through the third quarter of FY-2015.

MAWC is involved with several other pending cases before the Commission, as follows:

- WO-2015-0211 - Infrastructure System Replacement Surcharge Change
- WX-2015-0209 - Requesting rulemaking to create a Revenue Stabilization Mechanism
- WF-2015-0207 - Long Term Financing
- WC-2015-0171 - Formal Complaint (Westmoreland)
- SC-2015-0139 - Formal Complaint (Grady)
- WA-2015-0108 - CCN for service area of Redfield
- SA-2015-0065 - CCN for service area of the Benton County Sewer District No. 1
- WO-2014-0362 - Staff Investigation into the Adequacy of the Call Centers
- WC-2014-0161 - Formal Complaint (Smith)
- WC-2014-0138 - Formal Complaint (Office of the Public Counsel on billing matters, consolidated with a number of individual formal complaints)

Approval of a CCN for the Arnold Service Area will have no direct impact upon any of the other pending cases, and any action with regard to pending cases would have no direct impact upon approval of a CCN in this case.

STAFF'S FINDINGS & CONCLUSIONS

Staff takes the position that approval of a CCN for MAWC to provide sewer service in the Arnold Service Area is in the public interest. The current owner of the assets, the City, wishes to transfer the assets to MAWC, and MAWC has adequate technical, managerial, and financial capacity to operate and maintain the facilities and provide service to customers.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order that:

- a. Approves the CCN for MAWC to provide sewer service, under conditions as described within this memorandum and following;
- b. Requires MAWC to notify the Commission of closing of the assets within five (5) days after such closing;
- c. Authorizes MAWC to submit a complete new tariff as described within this memorandum no later than thirty (30) days following the effective date of an order approving the CCN, as a 30-day filing, to become effective prior to closing on the assets, to become MAWC's sewer tariff No. 21, depicting the Arnold Service Area with a map similar to Attachment A; a finalized written description to be late-filed that will describe the area shown in Attachment A, Attachment B being a draft example of such a description; monthly rates as described herein; service charges consistent with those of other MAWC sewer service areas; and rules for providing sewer service consistent with Commission regulations and current practice;

- d. If closing does not take place within thirty (30) days following the effective date of the Commission's order, requires MAWC to submit a status report within five (5) days after this 30-day period regarding the status of closing, and additional status reports within five (5) days after each additional 30-day period, until closing takes place or until MAWC determines that closing will not occur;
- e. Requires MAWC, if it determines that closing will not occur, to notify the Commission of such, after which time the Commission may cancel, or deem null and void, the CCN issued to MAWC, and cancel any tariff or tariff sheets, as appropriate, specific to the Arnold Service Area that may have become effective;
- f. Authorizes MAWC to utilize and apply depreciation rates as shown in Attachment H;
- g. Requires MAWC to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- h. Requires MAWC to keep operations records including those for customer complaints/inquiries, meter placement and replacement/testing, vehicle, equipment and telephone use records, and customer account records;
- i. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the subject CCN, including expenditures related to the certificated service area, in any later proceeding;
- j. Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13,020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application;
- k. Requires MAWC to distribute to each Arnold Service Area customer an informational brochure detailing the rights and responsibilities of the utility and its customers, prior to the first billing from MAWC, consistent with the requirements of Commission Rule 4 CSR 240-13(3);
- l. Requires MAWC to include the Arnold Service Area customers along with existing customers for its reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing, 7) Call Center Staffing Levels, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated meter reads, 10) the number of consecutive estimated reads, and 11) the meter reader staffing levels;

- m. Requires MAWC to provide adequate training to all customer service representatives prior to the Arnold Service Area customers receiving their first bill for service from MAWC;
- n. Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Arnold Service Area customers that were issued for greater than thirty-five (35) days of service; and,
- o. Requires MAWC to provide to the EMSU staff within thirty (30) days after billing a sample of eighty (80) billing statements of residential customers and ten (10) billing statements of commercial customers of its first month bills issued to the Arnold Service Area customers.

Staff will file a further recommendation regarding approval of tariff that MAWC will be submitting in accordance with the Commission's order granting the CCN.

List of Attachments:

Attachment A – Map of Service Area

Attachment B – Description of Service Area (Draft version)

Attachment C – City of Arnold Ordinance Regarding Sewer Rates

Attachment D – Jefferson County Leader, August 15, 2014, News Article

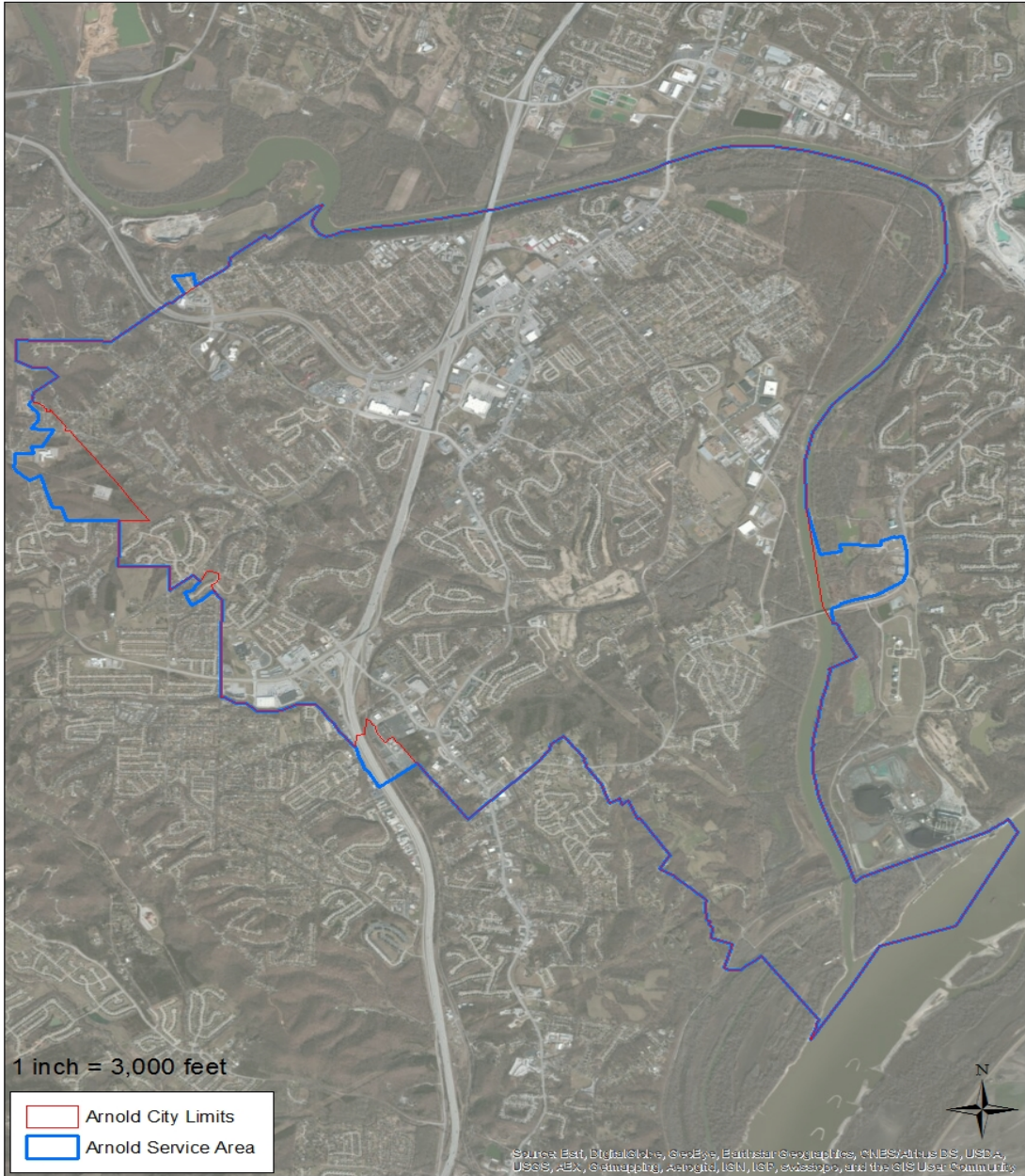
Attachment E – List of Informational Meetings, Locations and Dates

Attachment F – Arnold-Imperial Leader, October 30, 2014, Mayor's Message, News Article and Editorial

Attachment G – Auditing Unit Asset Valuation and Plant-in-Service Balance

Attachment H – Depreciation Accrual Rates for Sewer Plant

SA-2015-0150
Map of Service Area



SA-2015-0150
DRAFT - Description of Service Area

Note – this is a draft version that is not yet finalized as of the date of this recommendation – Staff and MAWC are still working on refining and revising this description. This description and any subsequent version that will be late-filed are to reflect the map as depicted in Attachment A, previous to this Attachment.

An area located in Jefferson County, Missouri, more particularly described as follows:

All of that area being located within the boundary, as presently defined, for the city limits of the City of Arnold, Jefferson County, MO, and in addition to said area located within the city limits of the City of Arnold, the following areas bordering said city limits are also included and are further described as follows:

1. An area located in Jefferson County, MO, bounded on the North by properties fronting Northview Drive, thence bounded on the East by properties fronting Klahs Lane and thereon to its intersection with the city limits of Arnold, thence bounded on the Northwest by properties fronting Hill Drive, thence bounded on the Southwest by properties fronting Scenic Drive, thence bounded on the Southeast by the city limits of the City of Arnold, MO.
2. An area located in Jefferson County, MO, bounded on the Northwest by Benton Drive, thence bounded on the Southwest by Tomahawk Drive and thereon to its intersection with the Southwest property line of a property owned by FoxC-6 School District, thence Southeast along the said Southwest line of property of said Fox C-6 School District property, to its intersection with the Arnold city limits, thence bounded on the Northwest by said city limits, thence following thereon to its intersection with Benton Drive.
3. An area located in Jefferson County, MO bordering the city limits of the City of Arnold, being inclusive of all the properties fronting Elms Glen Lane.
4. An area located in Jefferson County, MO bordering the city limits of the City of Arnold, bounded on the North by said Arnold city limits and Interstate Highway 55, thence bounded on the West by Interstate Highway 55, thence South and following said interstate to the Southwest corner of Lot 18 of Jefferson Square 14 subdivision, thence Northeastwardly along the Southeast property line of said Lot 18 to its intersection with the City limits of the City of Arnold.
5. A line certificate covering the portion of the Pomme Creek Tunnel which extends across the Meramec River from Jefferson County, MO into St. Louis County, MO to a point of connection to the Metropolitan St. Louis Sewer District Lower Meramec Wastewater Treatment Plant Tunnel.

Arnold, Missouri, Code of Ordinances >> - CODE OF ORDINANCES >> Chapter 24 - WATER, SEWERS AND SEWAGE DISPOSAL >> ARTICLE II. - SEWERS AND SEWAGE DISPOSAL >> DIVISION 5. RATES AND CHARGES >>

DIVISION 5. RATES AND CHARGES

[Sec. 24-82. Collection from properties served by system.](#)

[Sec. 24-83. User charge system established.](#)

[Sec. 24-84. Amendment of user charge system.](#)

[Sec. 24-85. Reserved.](#)

[Sec. 24-86. Disconnection of sewer service for failure to pay delinquent bills.](#)

[Sec. 24-87. Records; accounting.](#)

[Sec. 24-88. Owner, occupant and user jointly and severally liable for charges.](#)

[Sec. 24-89. Disposition of revenues.](#)

[Sec. 24-90. City collector to install accounting system.](#)

[Secs. 24-91—24-100. Reserved.](#)

Sec. 24-82. Collection from properties served by system.

- (a) The charges established in this division shall be collected from all improved real property, whether public or private, served by the public sewer system and facilities of the city, according to the classification of each lot or parcel, as set forth in this division. Such charges shall constitute a lien on the real property charged on the date a bill therefor is rendered.
- (b) An improved lot or parcel of real property, whether public or private, shall be deemed to be served within the meaning of this section when it has an active sewer connection with the treatment works of the city, or it otherwise discharges sewage, industrial waste, water, or other liquids or solids directly to such treatment works, or if the discharge of such substances therefrom ultimately enters such treatment works.

(Ord. No. 16.2 (Bill No. 320), § 1, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 2, 3-15-79)

Sec. 24-83. User charge system established.

- (a) The user charge system shall generate adequate annual revenues to pay the costs of annual operation and maintenance including replacement and cost associated with debt retirement of bonded capital associated with financing the sanitary sewer system which the city may by ordinance designate to be paid by the user charge system. That portion of the total user charge which is designated for operation and maintenance including replacement of the sanitary sewer system shall be established by this section.
- (b) That portion of the total user charge collected which is designated for the operation and maintenance including replacement purposes as established in this section, shall be deposited in a separate non-lapsing fund known as the operation, maintenance, and replacement fund and will be kept in two primary accounts as follows:
 - (1) The operation and maintenance account shall be an account designated for the specific purpose of defraying operation and maintenance costs (excluding replacement) of the sanitary sewer system. Deposits in the operation and maintenance account shall be made annually from the user charge revenue.

- (2) The replacement account shall be an account designated for the purpose of ensuring replacement needs over the useful life of the sanitary sewer system. Deposits in the replacement account shall be made annually from the user charge revenue.
- (c) Fiscal year-end balances in the operation and maintenance account and the replacement account shall be carried over to the same accounts in each subsequent fiscal year, and shall be used for no other purposes than those designated for these accounts. Monies which have been transferred from other sources to meet temporary shortages in the operation, maintenance, and replacement fund shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for operation, maintenance, and replacement. The user charge rate(s) shall be adjusted such that the transferred monies will be returned to their respective accounts within the fiscal year following the fiscal year in which the monies were borrowed.
- (d) Each user shall pay for the services provided by the city based on their use of the sanitary sewer system as determined herein.
- (e) For residential contributors, user charges shall be a base minimum charge for the quarterly use of fifteen thousand (15,000) gallons plus a volume charge based on the average usage during the previous year's winter quarter (Dec., Jan., Feb.) in excess of fifteen thousand (15,000) gallons.
- (f) For industrial and commercial contributors, user charges shall be a base charge for the quarterly use of fifteen thousand (15,000) gallons plus a volume charge based on actual water used in excess of the minimum during the current billing period. If a commercial or industrial contributor has a consumptive use of water, or in some other manner uses water which is not returned to the wastewater collection system, the user charge for that contributor may be based on wastewater meter(s) or separate water meter(s) installed and maintained at the contributor's expense, and in a manner acceptable to the city.
- (g) The minimum charge per quarter shall be seventy-three dollars (\$73.00), which shall include fifteen thousand (15,000) gallons of wastewater volume. In addition, each residential, industrial and commercial contributor shall pay a volume charge for operation and maintenance including replacement of four dollars and thirty-five cents (\$4.35) per one thousand (1,000) gallons of wastewater in excess of 15,000 gallons per quarter. A fourteen (14) per cent adjustment will be applied to billings for the Rock Creek Sewer District in acknowledgement of the reduced service provided their contributors.
- (h) The user charge rates established in this section apply to all users of the city sanitary sewer system, regardless of the user's location.
- (i) All users shall be billed quarterly. Billings for each quarter shall normally be issued during the first ten (10) days of the quarter and shall consist of the base charges for the current month plus the volume charges (if any) related to the prior year's winter quarter actual water usage for residential contributors and the prior quarter actual for nonresidential contributors. Payments are due the tenth day of the month following the billing. Any payment not received by the tenth day of the month in which it shall become due and payable shall be delinquent.
- (j) Any person so delinquent shall pay to the city clerk an additional ten (10) percent of the amount due for the first month of such delinquency and one (1) percent interest per month or fraction thereof on such additional amount from date originally due. The city may enforce collection of such charges by a collection agent, water shut-off procedure or by bringing appropriate legal action against the owner that has not paid the service charge and any penalties or interest due and payable thereon, including the costs and expenses of collection and reasonable attorney's fees. Any such delinquency shall be and become and remain a lien upon the property from the date of filing such lien with the Office of the Recorder of Deeds of Jefferson County until paid.

- (k) If the tenth day of the month occurs on a Saturday, Sunday or a recognized holiday, the billing is then due on the first day of regular business thereafter.

(Ord. No. 16.161 (Bill No. 2111), § 3, 8-18-05, eff. 10-1-05; Ord. No. 16.162 (Bill No. 2148), § 3, 3-16-06, eff. 4-1-06; Ord. No. 16.161 (Bill No. 2332), § 1, 12-18-08; Ord. No. 2364, § 1, 7-14-10; Ord. No. 2370, § 1, 3-18-10)

Editor's note—

Section 2 of Ord. No. 16.161 (Bill No. 2364) included a provision that amendments to subsection (g) are effective as of January 1, 2010. Section 2 of Bill No. 2370 included a provision that amendments to subsections (i) and (k) are effective as of March 18, 2010. Ordinance No. 16.161 (Bill No. 2111), § 3, adopted 8-18-05 and effective October 1, 2005, repealed the former § 24-83, and enacted a new § 24-83 as set out herein. The former § 24-83 pertained to schedule—established and derived from Ord. No. 16.2 (Bill No. 320), § 1, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 2, 3-15-79; (Bill No. 540), § 1, 4-2-80; (Bill No. 562), § 1, 8-7-80.

Sec. 24-84. Amendment of user charge system.

The city shall review the user charge system annually and revise user charge rates as necessary to ensure that the system generates adequate revenues to pay the costs of operation and maintenance including replacement and that the system continues to provide for the proportional distribution of operation and maintenance including replacement costs among users and user classes.

The city shall notify each user at least annually, conjunction with a regular bill, of the rate being charged for operation and maintenance including replacement of the sanitary sewer system.

(Ord. No. 16.161 (Bill No. 2111), § 4, 8-18-05, eff. 10-1-05; Ord. No. 16.162 (Bill No. 2148), § 4, 3-16-06, eff. 4-1-06)

Editor's note—

Ordinance No. 16.161 (Bill No. 2111), § 4, adopted August 18, 2005 and effective October 1, 2005, repealed the former § 24-84, and enacted a new § 24-84 as set out herein. The former § 24-84 pertained to schedule—amendment and derived from Ord. No. 16.2 (Bill No. 320), § 3, 10-20-77; Ord. No. 165 (Bill No. 456), § 4, 3-15-79.

Sec. 24-85. Reserved.

Editor's note—

Ord. No. 16.162 (Bill No. 2148), § 5, adopted March 16, 2006 and effective April 1, 2006, repealed § 24-85, which pertained to billing and derived from Ord. No. 16.2 (Bill No. 320), § 2, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 3, 3-15-79; Ord. No. 16.5 (Bill No. 590), § 1, 2-5-81; Ord. No. 16.161 (Bill No. 2111), § 5, 8-18-05.

Sec. 24-86. Disconnection of sewer service for failure to pay delinquent bills.

The city may, if practical, disconnect the sewerage connections from such premises, or in the alternative terminate the water services to the premises; and the same shall not be again connected for use until all delinquent accounts, bills or services are paid in full, including a fee for reconnecting such sewerage service, plus the reasonable cost of reconnecting sewerage service if the same is disconnected.

(Ord. No. 16.161 (Bill No. 2111), § 6, 8-18-05, eff. 10-1-05; Ord. No. 16.162 (Bill No. 2148), § 6, 3-16-06, eff. 4-1-06)

Editor's note—

Ordinance No. 16.161 (Bill No. 2111), § 6, adopted August 18, 2005 and effective October 1, 2005, repealed the former § 24-86, and enacted a new § 24-86 as set out herein. The former § 24-86 pertained to delinquent bills; penalty, interest, collection procedures and derived from Ord.

No. 16.2 (Bill No. 320), § 4, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 5, 3-15-79; Ord. No. 16.5 (Bill No. 478), § 1, 6-7-79; Ord. No. 16.5 (Bill No. 590), § 2, 2-5-81; Ord. No. 16.159 (Bill No. 2020), § 1, 11-6-03.

Sec. 24-87. Records; accounting.

- (a) It is hereby made the duty of the city collector to prepare or cause to be prepared a complete and accurate list of all premises and property receiving sewage services from the public sewerage system, including names and addresses of the occupants and the owners of the same. The list shall be kept up-to-date and shall be corrected from time to time to allow changes in the occupancy or ownership of any such property or premises.
- (b) The city clerk shall deposit all moneys received in a sewerage fund account and shall make a daily accounting to the finance director of such total receipts and deposits.

(Ord. No. 16.2 (Bill No. 320), § 5, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 6, 3-15-79)

Sec. 24-88. Owner, occupant and user jointly and severally liable for charges.

The owner of any lot, parcel of land or premises receiving services of the sewerage connection, the occupant of such premises and the user of the services shall be jointly and severally liable for the payment of services for each lot, parcel of land or premises; and all services are rendered by the city only on the condition that such owners, occupants and users shall be jointly and severally liable therefor to the city.

(Ord. No. 16.2 (Bill No. 320), § 6, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 7, 3-15-79)

Sec. 24-89. Disposition of revenues.

All revenues derived from the operation of the sewerage system, as collected, shall be deposited in a sewerage fund created and established, and shall be held, handled and dispersed in accordance with the terms of any bond ordinance for issuance of sewage revenue bonds authorized and issued by the city.

(Ord. No. 16.2 (Bill No. 320), § 7, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 8, 3-15-79)

Sec. 24-90. City collector to install accounting system.

The city collector shall install and maintain a proper system of accounts and records, separate and apart from all other accounts and records, showing the amount of revenues received from the sewerage system and the application of all such revenues and all financial transactions in connection therewith. Such accounts shall be kept and an annual audit thereof shall be made.

(Ord. No. 16.2 (Bill No. 320), § 8, 10-20-77; Ord. No. 16.5 (Bill No. 456), § 9, 3-15-79)

Secs. 24-91—24-100. Reserved.

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Arnold to ask voters Nov. 4 to approve sale of sewers

Story

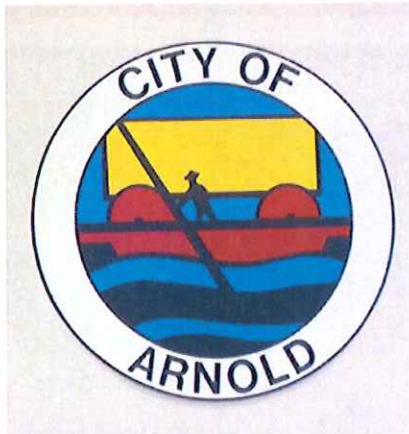
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Posted Friday, August 15, 2014 4:49 pm

By Kim Robertson



The Arnold City Council voted 6-1 Thursday night (Aug. 14) to place an issue on the Nov. 4 ballot asking residents to approve the sale of the city's sewer system to Missouri American Water, a company based in St. Louis County that provides water and sewer services to about 1.5 million customers throughout Missouri.

A simple majority vote would be required.

If voters approve the sale, Missouri American would pay \$13.2 million for the sewer system. However, the city would still pay \$8 million in bond debt it owes, bringing the net profit to \$5.2 million.

The city, though, would keep an estimated \$4 million that would remain in the sewer fund at the end of the sale, leaving the city with about \$9.2 million available to use for general operations, Arnold City Administrator Bryan Richison said.

In addition, Missouri American will assume a \$14 million debt the city owes

the Metropolitan St. Louis Sewer District, which treats the city's sewage, Richison said.

According to the city's agreement with MSD, it would share in the cost for future upgrades to the MSD treatment plant, but if the sale is approved, Missouri American will assume those costs, too, Richison said.

Missouri American also would cover the cost of the election and any marketing for the campaign, city officials said.

The company approached the city in 2011 about possibly buying the sewer system for \$12 million, but city officials decided against pursuing the deal.

Arnold Mayor Counts said the sale looks better this time around because the city has tight finances right now and the sewer system is plagued with problems that will cost a lot to fix.

Missouri American, which is part of New Jersey-based American Water Corp., provides water to both Public Water District 1 that serves Arnold residents and C-1 Public Water District that serves residents in unincorporated Arnold, Imperial, Barnhart and Otto.

It also operates sewer systems in the state, including one in Cedar Hill, Missouri American spokeswoman Ann Dettmer said.

Counts said the sale of the sewer system could be a financial boon for the city, both in the short term and long term.

If voters OK the sale, then it could close by May 2015, providing much-needed money for the city, which currently is struggling to formulate a balanced budget that will run from Sept. 1 through Aug. 31, 2015, Counts said.

In addition, it could save the city a lot of money down the road, he said, because the city won't have to spend money fixing the aging sewer system, which has many problems, according to a study the city commissioned to find where stormwater is infiltrating the sanitary sewers, Counts said.

Missouri American has agreed to invest \$5 million in the sewer system over the next four years and would continue to invest in the system, Dettmer said.

Another benefit to the sale, Counts said, is that the city could eventually face steep fines with the Missouri Department of Natural Resources and the Environmental Protection Agency tightening regulations governing the operation of sewer systems.

"This (the sale) can get this albatross from around our neck," he said.

Arnold Treasurer Dan Kroupa agreed.

"It's a no-brainer financially," he said.

Counts said the sale would benefit residents, too, because Missouri American is better equipped to fix and manage the aging sewer system.

Also, the company can operate the system more efficiently, which probably means lower sewer rates down the line, Counts said.

The city currently charges its approximately 7,100 customers about \$24.33 a month, based on 5,000 gallons of water usage. To operate effectively, however, the city should be charging more, according to a study completed two years ago, and by 2016, the city should be charging \$34.50, officials said.

Missouri American, on the other hand, would not be able to raise rates until 2016 at the earliest, and by then is projected to charge about \$30, Dettmer said.

"We can offer residents a good deal, and it would be good for the city," she said.

Ward 1 Councilman Jason Fulbright said the City Council can vote at any time to raise rates, but if Missouri American owns the sewer system, the Public Service Commission would have to approve any rate increases.

"There's more protection," he said.

Missouri American also has agreed to hire the city's seven sewer department employees and provide them with pay and benefits at least equal to what they have with the city, officials said.

Counts said he hopes residents support the sale.

"I think it's a win-win for residents," he said. "It (the sewer system) will be taken care of by a professional (in the sewer business) and cheaper."

Ward 3 Councilman Phil Amato voted against placing the issue on the November ballot, and Ward 1 Councilwoman Nancy Crisler was absent.

Amato said he heard about another agency that was interested in the city sewers and wanted to investigate that possibility.

Counts and Richison said the city needed to act now on the Missouri American offer because the November election isn't far away.

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City of Arnold - Wastewater Collection System – Educational Campaign

Missouri-American Water Company (MAWC) conducted an extensive educational campaign in Arnold leading up to the November 4, 2014 vote. The campaign was put on by MAWC as well as Arnold city officials and included information about the potential sale, the steps to complete the acquisition process (including the public vote) and allowed for the public to ask questions and comment on the acquisition.

There were several community events:

Thursday, 10/23, 11:30 am	Richardson Ridge Villas, 196 Patrick Place, Arnold
Tuesday, 10/28, 11:30 am	Watercrest Apartments, 2151 Watercolor Dr., Arnold
Tuesday, 10/28, 6:30 pm	City Hall basement
Tuesday, 10/28, 7:00 pm	First Baptist Church Family Life Center, 2012 Missouri State Road Arnold
Wednesday, 10/29, 10:30 am	Woodlands Villas Meeting at Arnold Library
Wednesday, 10/29, 6:00 pm	St. John's Lutheran Church 3517 Jeffco Blvd, Arnold
Wednesday, 10/29, 7:00 pm	Immaculate Conception Catholic Church 2300 Church Road, Arnold

MAWC employees also went door to door to every home in Arnold in the weeks leading up to the election. The residents were provided educational material as well as answered any questions that they had regarding the proposed sale.

There was also opportunity for the public to come to City Council meetings where the proposed sale was discussed.

Mayor's Message



On November 4th Arnold residents will have the opportunity to decide the future of our sewer system. Proposition S allows the City to sell the system to Missouri American Water. The City would receive \$13.2 million and Missouri American Water would take over the \$14 million that the City owes to the Metropolitan Sewer District (MSD). In addition Missouri American Water would be responsible for the cost of any future improvements to the MSD sewer plant that treats our sewer, which could be another \$9 million or more.

The City will pay off \$8 million in revenue bonds leaving \$5.2 million plus the remaining cash in the sewer fund, which should be about \$4 million, for a total of \$9.2 million. The City Council has discussed using this money for street projects, sidewalk improvements and investments in our parks and recreation system. All of the City's sewer employees are guaranteed jobs with Missouri American water and I will make sure they are protected in the sales contract. Missouri American Water has also agreed to immediately invest \$5 million in sewer system repairs over a four year period.

I firmly believe the City needs to get out of the sewer business. We do not have the expertise or the resources to deal with the always increasing level of environmental regulations. MSD and Kansas City were forced by the EPA to sign consent decrees mandating billions of dollars in sewer system expenditures. During heavy rains their sewer systems would overflow into streams and creeks. Arnold has the exact same problem. So far we have escaped notice, but if the EPA comes to town the results will be catastrophic.

For years the maintenance and repair of the sewer system has been underfunded. We are now repairing manholes and sewer pipes, but the result is that the sewer fund is losing \$500,000 a year. In addition a study performed by Fribis Engineering recommended \$11 million in improvements to address the worst problems. To pay for all of this needed work the City Council is considering raising the monthly sewer fee from \$24.33 to \$42.90 with an automatic 3% increase every year after. Missouri American Water is not projecting a rate increase until 2016 and it will be under \$30. If the City Council implements the new rate plan our fee in 2020 will be \$49.73 per month while Missouri American Water is projecting a rate of \$33.58. Missouri American Water's size and national buying power give them economies of scale that will allow them to run the sewer system more efficiently and effectively than we can.

I understand that the loss of local control over our sewer system is concerning to some people. Missouri American Water is regulated by the Public Service Commission which requires a full financial justification for any rate increase. Missouri American Water is also already serving our community. They provide the water to the water districts that cover Arnold. With local control comes local responsibility. The City no longer has the expertise or resources to keep our system running in compliance with environmental regulations. The sewer system has become a liability and I believe it is time we address the problem and protect our future.

- Sincerely, Ron Counts, Mayor

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City

To sell or not to sell

Arnold asking voters Nov. 4 to approve sale of city's sewer system

**By Kim Robertson
For the Leader**

Arnold officials say they hope residents vote "yes" on Proposition S on Nov. 4, approving the sale of the city's sewer system to Missouri American Water and netting the city \$9.2 million it could use on street and sidewalk projects and to pay off debt and build up its reserve fund.

The sale of the sewers also would benefit residents, officials say, because Missouri American would be able to keep sewer rates lower than the city would.

Prop S requires a simple majority for approval.

See PROP S, Page 20

Prop S: Critics don't want to lose local control of city sewer system

Continued from Page 21

City Council members are leery of raising rates.

"We don't have control now," Ward 1 Councilman Jason Fulbright said. "People won't raise rates because they're afraid they won't be elected. We have to be grownups and step up and raise the rates to take care of the problems."

He said those rate increases will be lower, though, if Missouri American is operating the system.

Jacobs Engineering completed a study two years ago that recommended the city immediately raise rates by 33 percent and continue to raise them 3 percent each year so improvements could be made to the system, but rates were not raised.

Fribis Engineering recommended last year that the city begin raising rates so it could make improvements, but the council didn't raise them.

Other critics of the sale have said they don't believe Missouri American would charge lower rates.

Richison said he, however, thinks the company can offer lower rates and will stand by its proposed rates, which are much lower than the rates the city has projected if it keeps ownership of the system.

"When we negotiate the contract, we will try to get caps (on rates) for some period of time," he said.

Currently, Missouri American sells



In this 2010 photo, Jon Fribis, right, and his father, Gene Fribis, check a sanitary sewer manhole in the Arnold Commons development. Their company's study turned up a number of problems in the city's aging sewer system.

water to Public Water District 1, which serves Arnold residents, and Public Water District C-1, which serves residents out-

side Arnold and in Kimmswick, Imperial and Barnhart. Those rates are reasonable, city officials point out.

Employees would keep jobs for at least a year

Richison said Missouri American has agreed to keep the city's seven sewer department employees and offer them wages and benefits at least equal to what they making now.

He said the older employees who are close to retirement like the idea working for Missouri American, but younger employees are worried about job security.

Richison said Missouri American has agreed to keep the employees on at least one year.


He hopes to get them to agree to at least two years.

Arnold provides residents who live on a couple of streets outside the city limits with sewer service, but they will not be able to vote on Prop S.

Another small group of residents who live inside the city limits but who get sewer service through Rock Creek Public Sewer, however, will be able to vote the election, Richison said.

Missouri American approached the city in 2012 about possibly buying the sewer system for \$12 million, but city officials decided against pursuing the deal then.

Counts said the sale looks better the time around because the city has tight finances right and the sewer system is plagued with problems that will cost a lot to fix.



The Case For Real Leadership

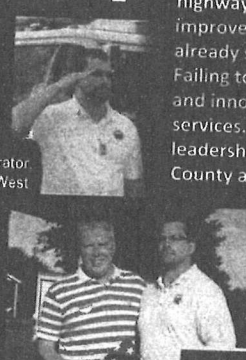
Sam Rauls
P.O. Box 96
Hillsboro, MO 63050
314-799-1621
sammaejoe@yahoo.com

Past Experience: Presiding Commissioner, Public Administrator, Municipal Judge, member East West Gateway, Executive Director Economic Development

The current County Executive and 3rd District Councilman are failing the people of Jefferson County. Failing to create the jobs we need and spur economic development. Failing to see we receive our fair share of regional Federal highway funds for road and bridge improvements. Failing by delaying of grants already secured by our Sheriff to fight crime. Failing to keep pace with the latest technologies and innovations in the delivery of public services. With your help, we can have the leadership and progress the people of Jefferson County and the 3rd District deserve. Thank you!

Sam Rauls
COUNTY EXECUTIVE

Put Jefferson County Back To Work For The People!




Mike Evans
509 Hannah Way
Arnold, MO 63010
mike4missouri.com

MIKE ★★★★★ DISTRICT THREE

EVANS
Jefferson County Council ★★★★★

3 Time National Award Winning Teacher - U.S. Army Veteran



Endorsed By Labor

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Arnold Proposition S

Arnold voters have as close to a no-brainer as they could get in deciding Proposition S, the proposal to sell the city's sewer system to Missouri American Water.

They should run, not walk, to the polls Nov. 4 to vote YES.

If the city sells the system, it will come out of the deal with a \$9.2 million nest egg after it pays off the debt it still owes on the sewer system.

More importantly, the city and its

taxpayers will be out from under the liability of future repairs and improvements to the system.

With old sewer systems failing on a daily basis, Arnoldians should not only vote yes but ask that the county clerk's office count the votes as fast as possible.

The city has a chance to get out of the sewer business, and taxpayers should cheer the thought.

If the city doesn't sell the system, it will be forced to raise rates at a much

faster rate than if American Missouri owns it.

Monthly rates, now \$24.33, are projected to rise to \$33.58 by 2020 if the deal goes through.

That's the good news. The bad news is that if the city retains the system and shoulders the expected repairs and improvements, the rate will rise to \$49.73 per month.

If it buys the system, Missouri American will fall under the overview of the Missouri Public Service Com-

mission and cannot raise rates without the commission's approval.

Meanwhile the \$9.2 million could be used for sidewalk, street or recreational projects in Arnold.

This deal is akin to someone coming to your house, offering to pay you millions for your 1949 Nash, maintain it forever and still drive you where you need to go. You will pay a fare, of course, but the rest is on the buyer.

This is a deal, Arnold. Take it. Vote YES on Proposition S.

Missouri House of Representatives

112th District

Rob Vescovo (R-Arnold) is facing Robert Butler (D-Barnhart) in the race to succeed Rep. Paul Wieland as the representative for the 112th District, which covers portions of north and central Jefferson County.

It is both men's first run for state office, though Mr. Vescovo ran in 2012 for county assessor and lost in the primary election.

Mr. Vescovo is an energetic conservative voice. A self-employed businessman, he's a community volunteer and a board member on the Jefferson County Port Authority.

Mr. Butler is an attorney who also has an accounting degree. Like Mr. Vescovo, he is a pro-life, pro-Second Amendment candi-



Robert Butler

date who also has a good record of volunteerism, including a stint as president of his church's parish council.

One theme of Mr. Vescovo's campaign is common among Republican candidates this year – his decision to run against President Barack Obama. To our knowledge, Mr. Obama is not on the ballot this year. Pandering to those who don't like him, and attempting to connect

any opponent – especially one who has yet to cast a vote – to an unpopular president is not a highbrow strategy that should be awarded with public office.

Vote for **Robert Butler** to be the 112th District state representative.

113th District

Voters have a choice between Sean Fauss (D-Arnold) and Windsor school board member Dan Shaul (R-Imperial), in the 113th District, which covers northeast Jefferson County.

Mr. Fauss has an impressive resume of political activity for a man 25 years old. In fact, two years ago he wouldn't have been old enough to run, even though he has been volunteering in Democratic campaigns and working as staff in others since his teens. He is a high-energy young man.



Dan Shaul

On balance, Mr. Shaul offers voters a more seasoned and experienced candidate. An Air Force veteran, he has served four years on the Windsor board, a body that has gotten high marks for its cooperative attitude and ability to work together as a non-partisan

board should. Mr. Shaul also has a good record of civic and church volunteerism.

Vote for **Dan Shaul** for state representative from the 113th District.

Jefferson County Council

District 3

Bob Boyer (R-Arnold) is seeking a second term on the County Council. He is opposed by Mike Evans (D-Arnold), a Fox C-6 teacher.

Boyer, a surveyor by trade, was an original member of the "North Bloc" of council members who controlled the council its first year. He provided the swing vote in the second year for the

"South Bloc" and was elected chair for that year.

While we don't cotton to all of Mr. Boyer's tactics, he does have a basic position about the County Council and government that make sense. He believes the council should be a non-partisan body similar to a school board or city council.

This would be an enormous improvement and would reduce the bickering and political posturing that have plagued the council's first four years.

Mr. Boyer believes this should be done because the council's main functions should be



Bob Boyer

to vote on policy decisions, ordinances and non-partisan matters such as zoning changes. This is an eminently sensible position. It should be encouraged by electing candidates who think this way until there are enough of them on the County Council to submit a charter amendment to voters asking them to change the council to a non-partisan entity.

Voters can keep that light burning by electing **Bob Boyer** as District 3 councilman.

Jefferson County Clerk

Incumbent Wes Wagner (D-De Soto) is being challenged by Jeremy Day (R-Imperial) and Terrence McCarthy (Constitution Party-Hillsboro).

Mr. Wagner has served eight years as county clerk. Before that, he served eight years in the Missouri House of Representatives.

Mr. Day works as an appliance technician for General Electric.

The chief duty of the county clerk is to serve as the county's election authority. Mr. Wagner has performed well in that role, running smooth, fair elections and providing citizens with an open, transparent mode of doing business.

No election runs with 100 percent efficiency, but the key elements of



Wes Wagner

fairness, honesty and openness have all been there on Mr. Wagner's watch. He is responsible for recruiting, training and deploying close to 1,000 election judges during a major election.

The potential for conflict, with that many moving parts in dozens of voting precincts is great, but under Mr. Wagner's oversight,

complaints have been held to a minimum. Jefferson County gets well-run elections and gets the results quickly on Election Day.

Nothing is more fundamental to a democracy than confidence in the electoral system. Wes Wagner has earned that confidence by his performance as county clerk, and he should be re-elected to a third term.

Circuit Clerk

Voters have a no-brainer in the race for circuit clerk. The contestants are Jeanette McKee (D-Hillsboro) and Mike Reuter (R-Imperial).

Mrs. McKee has been chief clerk in the circuit clerk's office for the past 15 years and has worked in the courts for 25 years. She has supervisory responsibility over the office during the circuit clerk's absence.

Reuter is a police officer with the city of Pacific and a former Jefferson County Sheriff's deputy.

Mrs. McKee earned a certificate in court management from the National



Jeanette McKee

Center for State Courts in 2001. She is the top official in the office under retiring Circuit Clerk Howard Wagner. She earned that position by years of diligent work that led to promotions that eventually raised her to the top job in the office.

Mr. Reuter has no apparent qualifications for the job unless voters believe being married to a County Council member is a qualification. He is the husband of District 2 Councilwoman Renee Reuter.

Jeanette McKee is the clear choice to become Jefferson County's next circuit clerk.

Missouri American Water Company / City of Arnold
Case No. SA-2015-0150
Asset Valuation
Ending Balance as of August 31, 2014

Plant In Service	\$ 33,357,376
Depreciation Reserve	(12,042,374)
Contribution in Aid of Construction	(21,088,400)
Amortization of Contribution in Aid of Construction	<u>13,381,450</u>
Net Plant in Service	<u><u>\$ 13,608,051</u></u>

MISSOURI AMERICAN WATER COMPANY- Sewer
SCHEDULE of DEPRECIATION RATES ordered in Case No. SR-2011-0338
DIVISIONS: All sewer districts, recommended for City of Arnold 4/2/2015

SA-2015-0150

NARUC ACCOUNT NUMBER	ACCOUNT DESCRIPTION	% DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	Curves	% NET SALVAGE
COLLECTION PLANT					
351	Structures & Improvements	2.50	50		-25
352.1	Collection Sewers (Force)	2.00	50		0
352.2	Collection Sewers (Gravity)	2.00	50		0
353	Services To Customers	2.00	50		0
354	Flow Measuring Devices	3.33	30		0
356	Other Collection Equipment	2.00	50		0
PUMPING PLANT					
361	Structures & Improvements	2.50	50		-25
362	Receiving Wells	4.00	25		0
363	Electric Pumping Equip, (Includes Generators)	10.00	10		0
364	Diesel Pumping Equipment	10.00	10		0
365	Other Pumping Equipment	10.00	10		0
TREATMENT & DISPOSAL PLANT					
371	Structures & Improvements Treatment & Disposal Equipment,	2.50	50		-25
372	(Includes pumps, blowers, generators)	5.00	26		-30
373	Plant Sewers	2.00	50		0
374	Outfall Sewer Lines	2.00	50		0
General Plant					
390.0	Structures & Improve - Shop & Garage	2.40	50	R3	-20
390.9	Structures & Improve - Leasehold	5.00	20	R4	0
391.0	Office Furniture	5.00	20		0
391.1	Computer & Peripheral Equipment	20.00	5		0
391.2	Computer Hardware & Software	20.00	5		0
391.3	Other Office Equipment	6.67	15		0
391.4	BTS Initial Investment	5.00	20		0
392.1	Transportation Equipment - Light trucks	11.25	8	L1.5	10
392.2	Transportation Equipment - Heavy trucks	10.00	9	L2	10
392.3	Transportation Equipment - Autos	18.00	5	L2	10
392.4	Transportation Equipment - Other	5.67	15	S2.5	15
393.0	Stores Equipment	4.00	25		0
394.0	Tools, Shop, Garage Equipment	5.00	20		0
395.0	Laboratory Equipment	6.67	15		0
396.0	Power Operated Equipment	7.73	11	L1.5	15
397.1	Communication Equip - Non Telephone	6.67	15		0
397.2	Communication Equip - Telephone	10.00	10		0
398.0	Miscellaneous Equip	6.67	15		0
399.0	Other Tangible Equipment	5.00	20		0

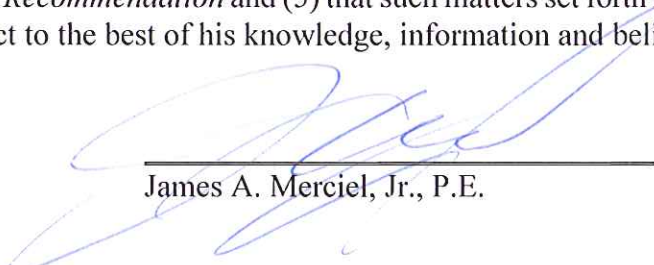
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water Company for a Certificate of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Sewer System in and around the City of Arnold, Missouri.)
)
) File No. SA-2015-0150
)
)
)

AFFIDAVIT OF JAMES A. MERCIEL, JR., P.E.

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Merciel, Jr., P.E., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Unit of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff Recommendation* including Attachments A through F; (3) that information in the *Staff Recommendation* was provided by him; (4) that he has knowledge of matters set forth in the *Staff Recommendation* and (5) that such matters set forth in the *Staff Recommendation* are true and correct to the best of his knowledge, information and belief.



James A. Merciel, Jr., P.E.

Subscribed and sworn to before me this 1st day of April 2015.


Notary Public

<p>SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 28, 2018 Commission Number: 14942086</p>
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BEFORE THE PUBLIC SERVICE COMMISSION


OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. SA-2015-0150
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain a Sewer System in and)
around the City of Arnold, Missouri.)

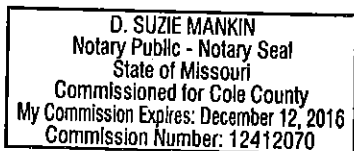
AFFIDAVIT OF AMANDA C. McMELLEN


STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Amanda C. McMellen, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation Attachment G in memorandum form, to be presented in the above case; that information in the Staff Recommendation Attachment G was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation Attachment G; and that such matters are true and correct to the best of her knowledge and belief.


Amanda C. McMellen

Subscribed and sworn to before me this 1st day of April, 2015.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

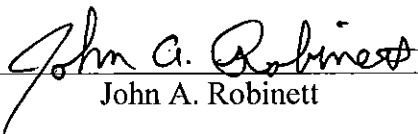
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. SA-2015-0150
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain a Sewer System in and)
around the City of Arnold, Missouri.)

AFFIDAVIT OF JOHN A. ROBINETT

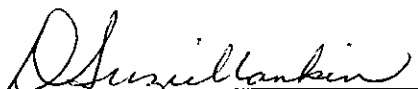
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

John A. Robinett, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form and Attachment H, to be presented in the above case; that information in the Staff Recommendation and Attachment H, was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation and Attachment H, and that such matters are true and correct to the best of his knowledge and belief.


John A. Robinett

Subscribed and sworn to before me this 1st day of April, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

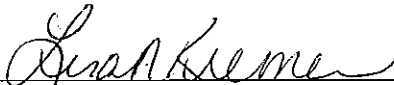
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. SA-2015-0150
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain a Sewer System in and)
around the City of Arnold, Missouri.)

AFFIDAVIT OF LISA A. KREMER

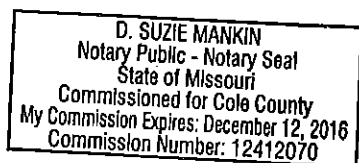
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

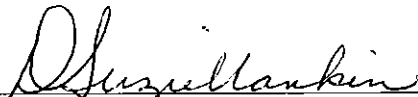
Lisa A. Kremer, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.



Lisa A. Kremer

Subscribed and sworn to before me this 1st day of April, 2015.





Notary Public