

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 6th
day of October, 1995.

In the matter of the application of)
Valley Woods Water Company, Inc.,)
for a certificate of convenience and)
necessity authorizing it to construct,)
install, operate and maintain a sewer)
system and to supply and render sewer)
service to the public located in and)
around an unincorporated area near)
Spokane, Christian County, Missouri,)
and for a certificate of convenience)
and necessity authorizing it to)
construct, install, operate and)
maintain a water system and to supply)
and render water service to the public)
located in and around an unincorporated)
area near Spokane, Christian County,)
Missouri.)

Case No. WA-95-122

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

On October 13, 1994, Valley Woods Water Company (Valley Woods) filed an application with the Commission pursuant to Section 393.170, RSMo. 1994, seeking a certificate of convenience and necessity to acquire, build, construct, operate, and maintain a water and sewer system. Subsequently, Valley Woods filed two amended applications correcting various specifics regarding the issuance of the requested certificate.

The proposed area for certification is a new development located in Christian County, Missouri. Valley Woods has proposed rates designed for 45 customers. The proposed service area, as shown on the application and subsequent amended applications appears to be a new development in an area being rapidly developed for residential and commercial uses. Together with its various applications, Valley Woods has also filed an attached

feasibility study, metes and bounds description of the service area, and corporate certification.

On September 5, 1995, the Staff of the Commission filed its recommendation. This recommendation was held by the Commission pending the filing of an amended application by Valley Woods, correcting a technical matter in its original application. Second amended application was filed by Valley Woods on September 28, 1995, and the Commission may now decide this matter.

In its recommendation the Staff stated that rate base in the water system will include the well, pumping equipment and storage tank. The estimated rate base is \$32,640, made up of 50% common equity and 50% debt. Land and the water distribution system will be contributed by the developer. Service connections, meters, and meter installations will be paid by a \$275 water connection charge. Rate base in the sewer system will include the sand filter treatment facility and associated pumps, estimated to be \$42,000 made up of 50% common equity and 50% debt. Land and the sewer collection system will be contributed by the developer. A connection charge of \$1,100 is proposed to pay for the installation of the service connection and a septic tank located on each customer's property.

Financing costs for calculation of both water and sewer rates are 12.5% for common equity, and 10% for debt, for a weighted cost of capital of 11.25%.

The sewer system is designed to transport and treat septic tank effluent. Although the customer will own the septic tank, Valley Woods Water Company will provide solids removal when necessary.

Rates for service are proposed as follows:

Monthly Water Rates	Customer Charge	\$7.50, including 1000 gallons
	Commodity Charge	\$2.00 per additional 1000 gallons

Monthly Sewer Rate	Flat Rate	\$20.00
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Rates are designed for 45 customers. However, since this is a new development, the Company will not realize complete expense recovery nor earnings initially. The Staff estimates that the Company will need to connect approximately eighteen (18) customers in order to pay "out of pocket" expenses such as electricity and interest expense. The Staff recommends rates be reviewed within eighteen (18) months after the effective date of a certificate granted by the Commission to determine reasonableness.

The Staff also recommends the Commission order Valley Woods to file a Schedule of Rates, Rules and Regulations (tariff) for water service and for sewer service within twenty (20) days after the effective date of an order approving a certificate. A certificate would become effective for water service and for sewer service upon the effective date of the respective tariff. The Staff has communicated with Valley Woods with respect to tariff language. It is expected Valley Woods will file tariffs similar to the Water and Sewer Department's sample tariffs, and which will be similar to tariffs on file for other small water and sewer utilities, with some modification to accommodate the septic tank effluent system to be utilized.

After review of the various applications, accompanying documents, and the Staff recommendation, the Commission finds that, as the result of predicted growth in the area proposed to be served, that the issuance of a certificate of convenience and necessity for both water and sewer is in the public interest. The Commission will order Valley Woods to file the

appropriate tariffs for Commission approval prior to commencing its operations.

IT IS THEREFORE ORDERED:

1. That Valley Woods Water Company Inc. is hereby granted a certificate of convenience and necessity to construct, install, own, operate, control, manage, and maintain both a sewer and water service for the public within an unincorporated area of Christian County, Missouri, located near Spokane, Missouri, and as fully set out in the application, amended application, and second amended application in this matter.

2. That Valley Woods Water Company shall file in this docket a complete set of rates, rules, service area description, and other necessary tariffs for both sewer and water service prior to commencing operations, including the agreed-upon depreciation rates as set out in Attachment A to this order.

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

4. That Valley Woods Water Company will keep all books and records consistent with the Uniform System of Accounts as required by Commission regulations.

5. That this order shall become effective on October 17, 1995.

BY THE COMMISSION

(SEAL)



**David L. Rauch
Executive Secretary**

Mueller, Chm., McClure, Kincheloe,
Crumpton, and Drainer, CC., Concur.

Depreciation Rates for
VALLEY WOODS WATER COMPANY, INC.

PSC Depreciation Department

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u> <u>Percent</u>
311	Structures & Improvements	2.5
314	Wells & Springs	2.0
315	Infiltration Galleries & Tunnels	2.0
316	Supply Mains	2.0
317	Other Water Source Plant	2.0
321	Structures & Improvements	2.5
323	Other Power Production Equipment	4.0
325	Electric Pumping equipment	10.0
328	Other Pumping Equipment	5.0
331	Structures & Improvements	2.5
332	Water Treatment Equipment	2.9
341	Structures & Improvements	2.5
342	Distribution Reservoirs & Standpipes	2.5
343	Transmission & Distribution Mains	2.0
345	Services	2.9
346.1	Meters - Bronze Chamber (35 yr, +5% salv)	2.7
346.2	Meters - Plastic Chamber	10.0
347	Meter Installations	2.9
348	Hydrants	2.5
349	Other Transmission & Distribution Plant	3.3
390	Structures & Improvements	2.9
391	Office Furniture & Equipment	5.0
392	Transportation Equipment (7 yr, +10% salv)	13.0
393	Stores Equipment	4.0
394	Tools, Shop, Garage Equipment	5.0
395	Laboratory Equipment	5.0
396	Power Operated Equipment	6.7
397	Communication Equipment	6.7
398	Miscellaneous Equipment	5.0

VALLEY WOODS WATER COMPANY, INC.

DEPRECIATION RATES FOR
SEWER COMPANY
PSC DEPRECIATION DEPARTMENT

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate Percent</u>
311	Structures & Improvements	3.0
352.1	Collection Sewers (Force)	2.0
352.2	Collection Sewers (Gravity)	2.0
353	Other Collection Plant	4.0
354	Services to Customers	2.0
355	Flow Measurement Devices	3.3
362	Receiving Wells & Pump Pits	5.0
363	Pumping Equipment	10.0
373	Treatment & Disposal Facilities	4.5
374	Plant Sewers	4.5
375	Outfall Sewers	2.0
376	Other Treatment & Disposal Plant	5.0
391	Office Furniture & Equipment	5.0
392	Transportation Equipment	14.2
393	Other General Equipment	10.0
394	Tools, Shop, Garage Equipment	5.0
395	Laboratory Equipment	5.0
396	Power Operated Equipment	6.7
397	Communication Equipment	6.7
398	Miscellaneous Equipment	5.0