

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 18th  
day of May, 1995.

In the matter of the application of (Timber Creek Sewer ) )  
Company for permission, approval, and a certificate of ) )  
convenience and necessity authorizing it to construct, ) )  
install, own, operate, control, manage and maintain a ) ) **Case No. SA-95-110**  
sewer company for the public located in an unincor- ) )  
porated area in Platte County, Missouri. ) )  
)

**ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY**

On October 4, 1994, Timber Creek Sewer Company (Timber Creek) filed an application under Section 393.170, R.S.Mo. 1994, seeking a certificate of convenience and necessity to install, own, acquire, construct, operate, control, manage and maintain a sewer system located in certain unincorporated areas of Platte County, Missouri. An Order And Notice was issued by the Commission on October 13, 1994 setting the deadline for intervention as November 14, 1994, and directing that notice be provided to appropriate persons. No person has sought to intervene in this matter. On February 28, 1995, Timber Creek filed Amended Exhibits 2 and 3, which are a map and legal description of the proposed service area, respectively. Amended Exhibits 2 and 3 will be incorporated herein by reference as if fully set out. On May 9, 1995, Staff filed a memorandum to the official case file in this docket. In its application, Timber Creek also filed the following exhibits, incorporated herein by reference as if fully set out: Exhibit 1, Certificate of Incorporation and Articles of Incorporation of Timber Creek Sewer Company; Exhibit 2, map of proposed service area; Exhibit 3, legal description of proposed service area; Exhibit 4, Feasibility Study; Exhibit 5, a copy of a letter from the County Counselor that Platte County has not enacted any franchise requirement for privately-owned sewer companies in the

unincorporated area of the County; Exhibit 6, Department of Natural Resources construction permit; Exhibit 7, land surveyor's report regarding location for the site of sewage treatment facility; Exhibit 8, list of landowners in the service area.

Since no proper person filed an application to intervene and there are no outstanding requests for hearing, the Commission determines that an oral hearing is not necessary and the Commission will grant a Certificate of Convenience and Necessity to Timber Creek based upon the evidence which has been provided by verified statement. ***State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission***, 776 S.W.2d 494, 496, (Mo. App. 1989).

In its memorandum, which was filed on May 9, 1995, the Staff indicated its agreement with Timber Creek's proposed rate of \$16.50 per month. Staff states that this rate is designed to support rate base of \$565 per customer. Staff states that Timber Creek proposes to provide service to customers in the areas described herein by using two sewage treatment facilities. The Timber Creek subdivision treatment facility was constructed in 1990 and presently serves 47 homes. According to Staff, Timber Creek is planning construction of a second treatment facility to serve the proposed Timber Park Estates subdivision. Staff further states that by using the second treatment facility with additional gravity sewers, Timber Creek will be able to serve customers in the proposed service area located beyond the Timber Park Estates subdivision. According to Staff, Timber Creek could serve residents of Prairie Creek and Misty Springs subdivisions.

Staff recommends that the Commission approve a contribution in aid of construction (CIAC) of \$1,000 to be collected from developers for each lot to be served by a collecting sewer extension as sewers are constructed in a subdivision platted area. Individual customers will be responsible for payment of the \$1,000 CIAC if the developer has not already paid the \$1,000 for the lot.

According to Staff, the CIAC charge, after being grossed up for income taxes, represents the per-customer cost of the treatment facility less rate base. Staff estimates that the amount of rate base per customer is \$565.

Staff indicates that the monthly rate was designed for a total of 182 residential customers, which is the anticipated customer level to be served by the first phase of the Timber Park treatment facility. Staff anticipates that this customer level is anticipated during the first three years.

Staff states that Timber Creek will not realize complete expense recovery, nor earnings, until there are enough customers to provide adequate revenue. Staff estimates that approximately 74 customers will provide adequate revenue to cover "out-of-pocket" operating expenses such as power cost, postage, labor and bank interest payments. Staff states that as additional revenues become available with customer growth Timber Creek can begin realizing recovery of other expenses (e.g., telephone, rent, management, and depreciation).

Staff indicates that Timber Creek plans to finance its investment in plant with 70 percent debt and 30 percent equity. The weighted cost of capital used by Staff in its rate analysis is 10.4 percent.

Staff recommends Timber Creek be ordered by the Commission to adopt the Uniform System of Accounts for bookkeeping and the recommended depreciation rates as set out in Attachment B to this order.

Staff recommends the Commission issue an order:

1. Granting a certificate to Timber Creek effective on the effective date of a complete tariff to be filed as described herein;
2. Approving monthly rates for sewer service of \$16.50 per month for a residential customer based on the following capital structure: utility plant rate base of \$565 per customer, debt to total capital ratio of 70 percent, and common equity to

total capital ratio of 30 percent, with a weighted cost of capital of 10.4 percent;

3. Approving a CIAC charge of \$1,000 per residential connection, payment of which will be addressed in the extension rule of the tariff to be filed;
4. Ordering expenses and capital expenditures to be reviewed by the Staff within 18 months after the certificate becomes effective;
5. Approving depreciation accrual rates as shown on Attachment B;
6. Ordering Timber Creek to file a schedule of rates, rules and regulations for providing sewer service within 30 days of the effective date of the Commission's order; and
7. Ordering Timber Creek to keep its books and records in accordance with the Uniform System of Accounts.

Upon review of the application and Staff's recommendation, the Commission finds that the provision of safe, reliable sewer service to the proposed service area is in the public interest and the application is reasonable. The Commission finds that the proposed monthly rate for providing sewer service to residential customers and the proposed contribution in aid of construction per lot charge are reasonable. Thus, the Commission determines that Timber Creek Sewer Company's application for a certificate of convenience and necessity is in the public interest and should be approved.

**IT IS THEREFORE ORDERED:**

1. That Timber Creek Sewer Company is hereby granted a certificate of convenience and necessity to install, own, acquire, construct, operate, control, manage and maintain a sewer system located in certain unincorporated areas of Platte County, Missouri, such areas being specifically described in Attachment A.

2. That the certificate of convenience and necessity referenced in ordered paragraph 1 shall become effective simultaneously with the effective date of the tariffs required to be filed and approved pursuant to ordered paragraph 3.

3. That Timber Creek Sewer Company shall file a complete tariff which includes a schedule of rates, rules and regulations for providing sewer service in accordance with this order on or before June 1, 1995, to be effective for service rendered thirty (30) days thereafter.

4. That the tariff to be filed pursuant to ordered paragraph 3 shall reflect a rate for sewer service of \$16.50 per month for residential customers.

5. That the tariff to be filed pursuant to ordered paragraph 3 shall reflect a contribution in aid of construction charge of \$1,000 per residential connection.

6. That the Commission's Staff shall review the sewer service rates, expenses and capital expenditures of Timber Creek Sewer Company within eighteen (18) months after the Certificate of Convenience and Necessity becomes effective.

7. That Timber Creek Sewer Company will adopt the depreciation rates as shown on Attachment B of this order.

8. That Timber Creek Sewer Company shall keep its books and records in accordance with the Uniform System of Accounts.

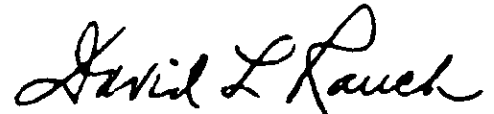
9. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, nor of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed on said property.

10. That the Commission reserves the right to consider the ratemaking treatment to be afforded the facilities constructed pursuant to the

certificate of convenience and necessity granted herein, and its resulting cost of capital, in any later proceeding.

11. That this order shall become effective on the 1st day of June, 1995.

**BY THE COMMISSION**



**David L. Rauch  
Executive Secretary**

( S E A L )

McClure, Perkins and Kincheloe,  
CC., concur.  
Mueller, Chm., and Crumpton, C.,  
absent.

LEGAL DESCRIPTION OF  
AREAS TO BE CERTIFICATED

Area 1

All of the Southeast 1/4 of the Southeast 1/4 of Section 32, Township 53, Range 34, in Platte County, Missouri.

Area 2

All of the South 3/4 of Section 6, Township 52, Range 34, located South of Interstate Highway 29 and West of Interstate Highway 435, and the North 3/4 of Section 7, Township 52, Range 34, located West of Interstate Highway 435, in Platte County, Missouri.

TIMBER CREEK SEWER COMPANY

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
372	Oxidation Lagoons	4.0
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