

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

In the Matter of Missouri-American Water            )  
Company for a Certificates of Convenience        )  
Necessity Authorizing it to Install, Own,         )  
Acquire, Construct, Operate, Control, Manage    )  
and Maintain Sewer Systems in and around        )  
the City of Trimble, Missouri                        )

**File No. SA-2021-0074**

**STAFF RECOMMENDATION TO GRANT  
CERTIFICATE OF CONVENIENCE AND NECESSITY**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), through the undersigned counsel, and for its *Staff Recommendation to Grant Certificate of Convenience and Necessity*, respectfully states as follows:

1. On September 17, 2020, Missouri-American Water Company (“MAWC”) filed an *Application* with the Missouri Public Service Commission (“Commission”) requesting a Certificate of Convenience and Necessity (“CCN”) to install, own, acquire, construct, operate, control, manage, and maintain a sewer system in and around Trimble, Missouri.
2. On September 18, 2020, the Commission issued an *Order Directing Notice, Setting Date for Intervention, and Ordering Staff Recommendation* (“Order”). In its Order, the Commission directed Staff to file, no later than November 2, 2020, a recommendation.
3. In an attempt to provide its recommendation to the Commission, Staff issued several data requests (“DRs”) and follow-ups to those data requests. Staff requested, and was granted, an extension by the Commission to provide its recommendation no later than December 2, 2020.

4. Pursuant to Section 393.170, RSMo (2018), no water or sewer corporation shall provide service to consumers without first having obtained approval from the Commission.

5. When reviewing whether a utility should be granted a CCN, the Commission typically applies the five Tartan Criteria established in *In the Matter of Tartan Energy Company, et al.*, 3 Mo. PSC 3d 173, 177 (1994). The criteria are: (1) there must be a need for the service; (2) the applicant must be qualified to provide the service; (3) the applicant must have the financial ability to provide the service; (4) the applicant's proposal must be economically feasible; and (5) the service must promote the public interest.

6. In addition to the Tartan Criteria, when considering an application involving existing water and/or sewer systems, the Commission analyzes the Technical, Managerial, and Financial capabilities ("TMF") of the applicant.

7. As explained in *Staff's Memorandum*, attached hereto as Appendix A, Staff conducted an investigation into MAWC's request. Based on its review, Staff concludes that MAWC fulfills the requirements regarding TMF capacities and the Tartan Criteria. Accordingly, Staff asserts that approving MAWC's application for the issuance of a CCN is necessary and convenient for the public service and is not detrimental to the public interest, and Staff recommends approval with conditions described in *Staff's Memorandum*.

8. Staff does not oppose MAWC's request for a waiver of the 60-day notice requirement of 20 CSR 4240-4.017(1).

**WHEREFORE**, Staff respectfully submits this *Staff Recommendation* and requests the Commission approve MAWC's request for the issuance of a CCN allowing MAWC to

install, own, acquire, construct, operate, control, manage, and maintain the sewer system, with conditions, to provide sewer service to the requested service area; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

**/s/ Ron Irving**

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Missouri Public Service Commission  
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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all counsel of record this 3<sup>rd</sup> day of December, 2020.

**/s/ Ron Irving**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. SA-2021-0074

FROM: Jarrod J. Robertson - Water and Sewer Department  
Daronn A. Williams - Water and Sewer Department  
Andrew Harris - Water and Sewer Department  
Ben Rankin - Customer Experience Department  
Gary Bangert - Customer Experience Department  
Jared Giacone - Auditing Department  
Keith Majors - Auditing Department

/s/ Jarrod J. Robertson 12/03/20  
Case Manager Date

/s/ Ron Irving 12/03/20  
Staff Counsel Date

SUBJECT: Staff's Recommendation to Approve Certificate of Convenience and Necessity

DATE: December 3, 2020

### EXECUTIVE SUMMARY

Staff's position, based on its review as described herein, is that the proposal for a new Certificate of Convenience and Necessity to provide sewer service, and apply rates and regulations pursuant to MAWC's current sewer tariff MO PSC No. 26, is necessary and convenient for the public service.

Staff therefore recommends approval with the conditions and actions as outlined herein.

### Case Background

On September 17, 2020, Missouri-American Water Company (MAWC) filed an *Application and Motion for Waiver* (Application) with the Missouri Public Service Commission (Commission). MAWC seeks a Certificate of Convenience and Necessity (CCN) to provide sewer service in and around the city of Trimble, Missouri (Trimble or City). In the Application, MAWC states that it intends to acquire sewer utility assets that are, at present, owned and operated by two separate entities. The first group of sewer assets are owned and operated by the City. The second group of sewer assets are owned by the neighboring unregulated sewer system of Centennial Acres Association, Inc. (Centennial Acres or Association).

On September 18, 2020, the Commission issued its *Order Directing Notice and Setting Deadlines for Intervention Deadlines and Staff's Recommendation*, in which it directed interested parties to intervene in this case no later than October 3, 2020, and no later than November 2, 2020, the Commission's Staff to file a recommendation regarding MAWC's application. No party has requested to intervene in this case.

On October 27, 2020, Staff filed a *Motion for Extension*, requesting an additional 30 days to file its recommendation.

On October 27, 2020, the Commission issued its *Order Extending Deadline*, granting Staff's request to file its recommendation no later than December 2, 2020.

### **BACKGROUND OF MAWC, THE CITY AND THE ASSOCIATION SEWER SYSTEMS**

MAWC is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. MAWC is currently providing water service to approximately 470,000 customers and sewer service to more than 15,000 customers in several service areas throughout Missouri. In recent years, MAWC has acquired several small existing water and sewer systems.

MAWC is a subsidiary of American Water Works Company, Inc. (American Water), and is affiliated with other American Water companies that undertake some of the tasks associated with utility service, such as customer billing and technical resources. MAWC has no pending legal action or judgement from any state, federal agency, or court which involves customer service or rates, which action, judgement, or decision has occurred in the last three (3) years of the date of the Application.

At present, according to MAWC's Application, the City owns and operates a sewer collection system which consists of approximately 24,200 linear feet of gravity sewer line, five lift stations and a three-cell treatment lagoon, and serves approximately 280 accounts (primarily residential). The sewer system operates under Permit No. MO-0113751, issued by the Department of Natural Resources (DNR) with an effective date of December 1, 2019, and an expiration date of September 30, 2024. While the City is currently subject to adhering to DNR regulations, it is not presently subject to the jurisdiction of the Commission.

Further, according to the Application and additional information provided by MAWC, the Association owns and operates a residential development comprised of single-family lots; currently, 13 homes are provided service by the Association, and the system has capacity for construction of up to 10 more homes/connections. The subdivision encompasses 37 acres. The sewer system consists of approximately 2,090 feet of 3" PVC forcemain, 150 feet of 4" PVC gravity sewer, and an extended aeration treatment plant that operates under Permit No. MO-0117447 issued by DNR with an effective date of January 1, 2020 and an expiration date of December 31, 2024.

MAWC will not acquire the individual grinder pumps and forcemains, which lead from each home to the public 3" main in the right-of-way. These appurtenances are currently owned by the homeowner's and will remain the homeowner's responsibility.

### **STAFF'S INVESTIGATION**

Staff inspected the City sewer system (MAWC and City staff were also present) on October 21, 2020. City staff discussed maintenance efforts that had been completed for lagoon berm stabilization. The system is generally in good condition, with upgrades to modernize controls for four of the five lift stations suggested by both MAWC and Staff. As with many aging sewer collection systems, there are inflow and infiltration (I&I) issues that result in increased flows

during significant rain events. Efforts to identify and repair I&I issues are ongoing. According to the permit, the system has a design flow of 90,000 gallons per day (gpd) and an actual flow of 29,500 gpd. In the days prior to and during the field meeting, Staff received information regarding residents that reside outside of the city that are not current customers but have expressed interest in connecting to the system if service is offered by MAWC. The system has adequate capacity for additional customers.

Staff also inspected the Centennial Acres sewer system on October 21, 2020. The extended aeration plant was functional and generally in good condition. The treated effluent outfall location has experienced erosion and requires maintenance. According to the permit, the system has a design flow of 9,620 gpd and an actual flow of 2,258 gpd.

Staff reviewed the Application and the Purchase Agreement. Staff is familiar with MAWC's system operations.

The assets to be transferred at the time of closing are all assets necessary to operate the wastewater system and serve the residents of Trimble, as well as the residents of the Association. Assets essential to operation of the system are included in the transfer.

### **Rate Base**

As part of its normal scope in CCN applications, Staff reviews the reasonableness of a utility's purchase price for acquired assets, including a comparison of the purchase price amount to the net original cost of the assets using any obtainable information. In its Application for the CCN, MAWC did not seek a determination of the rate base valuation of the assets in this proceeding, nor did MAWC request the ratemaking rate base valuation based upon an appraisal process as outlined in Section 393.320 of the Missouri Revised Statutes. In an effort to evaluate MAWC's proposed purchase price for the City of Trimble and Centennial Acres sewer assets, as well as to attempt to quantify the original cost of the sewer assets, Staff submitted a series of data requests to MAWC outlined per respective system following this section. Upon evaluation of the responses from MAWC, there exists little to no documentation concerning the net original cost of the Trimble and Centennial Acres systems. This situation is not out of the ordinary for smaller systems owned by municipalities or homeowner's associations. For this reason, Staff did not determine a value for the Trimble and Centennial Acres sewer system rate base as of the date of the transaction due to lack of documentation.

In MAWC's next general rate case in which rate treatment of the Trimble and Centennial Acres sewer systems is sought, MAWC should present an analysis documenting its proposed rate base values for all assets, including an appropriate offset for associated Contributions In Aid of Construction (CIAC). Staff will form a recommendation regarding valuation of the rate base for the Trimble and Centennial Acres sewer assets after conducting its audit in MAWC's next rate case, including a review of MAWC's Trimble and Centennial Acres sewer plant and rate base valuation analysis. Staff also recommends specifically that at the time of transfer, MAWC obtain from Trimble and Centennial Acres any and all plant and asset records that are available in order to document original plant costs, plant additions, plant retirements, depreciation, contributions,

and capital recovery paid to other parties. Specific to the Trimble system, as a municipality, Staff would recommend MAWC obtain City Council minutes and related documentation for all expenditures authorized by the City Council related to the sewer system including, but not limited to, original construction and engineering costs, subsequent system expansion construction and engineering costs and documentation of the lagoon repairs made in 2012 and 2019. In addition, Staff would recommend the Commission require MAWC to obtain the record of sale (Instrument #199300443) related to the approximately 23 acres of land where the wastewater treatment facility is located, from the Clinton County, Missouri Recorder of Deeds and record the original sale price according to those documents as the plant balance for land.

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 recommends the Commission specifically require such recordkeeping requirements apply to MAWC's utility plant assets of the Trimble and Centennial Acres Sewer Systems. MAWC should maintain documentation including, but not limited to, invoices and receipts for all plant additions to the sewer systems and documentation of any plant retirements. It has been Staff's consistent recommendation that utility rate base for acquired properties should be based upon the net original cost book value of such properties to the original utility owner and not reflect the amount of any acquisition adjustment.

#### **Trimble System Purchase Price and Net Original Cost**

According to its Application, MAWC has agreed to pay not less than \$1,000,000 cash, and a capital commitment of at least \$1,000,000 over five years, including terms that provide for future service, maintenance, capital improvements, and other terms and conditions, for substantially all of the sewer assets of the currently unregulated system of the City of Trimble.

Regarding the net original cost of the assets to be purchased, MAWC's response to Staff Data Request No. 0007 refers Staff to the feasibility study provided with the Application and that the market value of the land will be recorded with any remaining fair market value of the system per an appraisal provided, will be allocated over the net book value of the assets.

Regarding the purchase price, MAWC's response to Staff Data Request No. 0008 states the purchase price came from an appraisal completed by three appraisers. The appraisal was formulated using two separate approaches, a "Sales Comparison Approach" and a "Cost Approach." The data request response noted that the appraisal is more weighted towards the Sales Comparison approach in contrast to the Cost Approach because the appraisers noted:

...we have concluded that most emphasis should be placed on the value opinion indicated by the Sales Comparison Approach. Due to the lack of detailed information available for the engineer's assessment, the reliability of the Cost Approach is weakened.

The table below shows the appraisal valuation breakdown for how the current market value listed in the appraisal was determined:

City of Trimble Appraisal Valuation Breakdown		
Sales Comparison Approach	Cost Approach	MAWC Purchase Price
\$925,000	\$1,360,000	\$1,000,000
Current Market Value		
\$1,000,000		

It should be noted that the Cost Approach results are not solely based upon the estimated 2019 book value of the assets. The Cost Approach was based on an average of the estimated 2019 book value and the 2019 estimated cost to replace the system. The table below shows the appraisal Cost Approach breakdown:

Cost Approach Detail From Appraisal		
	2019 Estimated Book Value	2019 Estimated Replacement Cost
	\$783,827	\$1,688,571
Average of Book and Replacement:	\$1,236,199	
Rounded:	\$1,200,000	
Add:		
Current 2019 Land Value	\$102,000	
Current 2019 Land Easement Value	\$56,000	
Cost Approach Value	\$1,360,000 (rounded)	

The appraisal’s Sales Comparison Approach involved examination of eight sales of sewer systems. Two sales are Missouri systems and the remaining six are Illinois systems. The appraisal listed some information concerning the sales of these systems, but due to the lack of comparability this approach should be given limited consideration for determination of a proxy value for net original cost. While MAWC obtained appraisals of the market value of the Trimble system, it did not request to use the ratemaking rate base procedure based upon an appraisal process as outlined in Section 393.320 of the Missouri Revised Statutes in its application.

In response to Staff Data Request No. 0027, an engineering report for the system (excluding land) estimating original construction costs and subsequent improvements listed estimated original costs



of the system and additions at \$1,470,875, with an estimated 2019 depreciated book value of \$783,827. The Clinton County, Missouri Recorder of Deeds has a record (Instrument #199300443) from 1993 when the City of Trimble purchased the approximately 23 acres of land, where the wastewater treatment plant is now located, for \$38,000. It should be noted that the appraisal report reflects a value of \$56,000 for the land where the pump/lift stations are located even though the land is owned by private landowners with easements in place for the pump/lift station equipment. MAWC is not purchasing the pump/lift station land and will not pay the related property tax.

Staff does not have a recommendation on the value of the land easements at this time but notes that the valuation for the easements in the appraisal is disproportionately high given the small square footage of land involved with the pump/lift station equipment when compared to the approximately 23 acres where the lagoon is located.

As part of the engineering cost study, the engineer obtained a 2009 extension project cost estimate from the City of Trimble and used those unit costs and the Handy-Whitman index to discount the original cost of the asset to its in-service date and to calculate the estimated original cost for all other plant additions from the inception of the system. The engineering cost study also included plant investment for lagoon berm repair and riprap (large rocks to stabilize the shoreline) additions in 2012 for \$65,000 and in 2019 for \$6,000, amounts for which were based on discussions with City staff according to the report. The engineering report states that the pump/lift stations and the most recent 2009 improvements to them would be fully depreciated as of 2019 assuming a 10-year depreciation period. It should be noted that the appraisal and engineering report both assumed original construction of the system in 1997 even though an original DNR permit for the system was issued in 1992. If any portion of the system was installed prior to 1997, it would significantly impact the values in the engineering report and the appraisal report because original cost estimates would be lower and there would be additional years of depreciation, both of which would reduce any current estimated book value.

Regarding supporting documentation for the feasibility study provided, MAWC's response to Staff Data Request No. 0003 states that all supporting documentation for the revenue and expense calculations were contained within the feasibility study provided with the Application. No additional documentation was received.

MAWC's response to Staff Data Request No. 0004 listed several anticipated plant addition projects over the first three (3) years after acquisition, including: I&I reduction sewer lining - \$500,000, electrical/Supervisory Control And Data Acquisition (SCADA) improvements to pump stations - \$95,000, disinfection - \$300,000, and lagoon aeration - \$300,000.

Regarding the schedules and exhibits identified in the Asset Purchase Agreement, MAWC's response to Staff Data Request No. 0011 states that the schedules are not available at this time because in most cases, they are prepared if and when MAWC receives approval from the Commission to proceed with the transaction.

### **Centennial Acres System Purchase Price and Net Original Cost**

According to the response to Staff Data Request No. 0016, MAWC has agreed to pay the nominal sum of \$1 for all of the sewer assets of the currently unregulated system of the Centennial Acres Association.

Regarding the net original cost of the assets to be purchased, MAWC's response to Staff Data Request No. 0001 was that records were requested from Centennial Acres Association but no documentation exists. Staff notes that the documentation that was provided by MAWC does not isolate a book value of the Centennial sewer assets so it is unclear if MAWC will rely on the original cost of the assets when it records the purchase in accordance with the NARUC Uniform System of Accounts, including detailed valuation of original cost of sewer plant components, plant additions, plant retirements, depreciation, and depreciation reserve. It is likely that the initial rate base for this homeowner association system would all be contributed capital since the developer would have installed the system and included the costs for the system into the sale price of the lots and any subsequent additions to the system would have been paid by the homeowners.

Regarding supporting documentation for the feasibility study provided, MAWC's response to Staff Data Request No. 0003 states that all supporting documentation for the revenue and expense calculations were contained within the feasibility study provided with the application. No additional documentation was received.

MAWC's response to Staff Data Request No. 0013 listed several anticipated plant addition projects over the first three (3) years after acquisition, including: access road improvements - \$10,000, discharge structure stabilization - \$35,000, SCADA improvements - \$20,000, electrical improvements - \$20,000, and disinfection - \$45,000.

Regarding the schedules and exhibits identified in the Asset Purchase Agreement, MAWC's response to Staff Data Request No. 0009 states that the schedules are not available at this time because in most cases they are prepared if and when MAWC receives approval from the Commission to proceed with the transaction.

Regarding the purchase and whether it indicates the condition of the system, MAWC's response to Staff Data Request No. 0002 states that the purchase price was a negotiated amount between the buyer and seller and that MAWC negotiates the lowest purchase price possible whenever it buys a system. The response continued by saying the purchase price considered the net value of the assets, including land, less any contributed property and future investment needs.

### **Rate Impact**

The residential customers of the City currently pay the following for sewer service:

- \$32.00 for the first 1,000 gallons of water used
- \$5.00 for the next 3,000 gallons of water used
- \$5.00 for each 1,000 gallons (or part thereof) over 4000 gallons used

For the City, MAWC has proposed to provide residential service and rates pursuant to MO PSC No. 26, Sheet No. RT 3.1, applicable to certain named service areas, be applied to the City. The monthly flat rate for sewer service would be \$38.75 for a single-family residence, according to tariffed rates, if MAWC is granted a CCN.

When applying an estimated average use of 4,000 gallons, the difference between current and proposed rates is an additional \$1.75 per month. This increase in rates was communicated to the City of Trimble in the negotiation and subsequent involvement of its elected officials in signing the Purchase Agreement. Members of the public were involved in the vote to sell the system to MAWC.

For the Association, MAWC proposes to maintain the current Association sewer rates of \$75 per month. While the Association did meet on two separate occasions with MAWC to discuss and/or ask questions of MAWC regarding future service prior to voting in favor of selling to MAWC, this proposal would result in a discrepancy of approximately \$35 per month between residents of the Association and residents of the City.<sup>1</sup> The residents reside within an extremely close proximity of each other, with both receiving sewer service from the same provider within the same service area, and likely no significant difference in cost of service between the two and no justification given for the higher rate. Therefore, Staff recommends that the customers currently being provided service in Centennial Acres should be charged MAWC's currently effective tariff rate from MO PSC No. 26, Sheet No. RT 3.1. The monthly flat rate for sewer service would be \$38.75 for a single-family residence, according to tariffed rates, if MAWC is granted a CCN.

### **Service Area**

In its Application, MAWC requested a service area for the City that was limited to the city limits of Trimble.

Staff and MAWC worked together to develop a proposed service area that is modified from that requested in the Application. The modified service area incorporates the current MAWC service areas of Timber Springs and Clinton Estates that are adjacent to Trimble and Centennial Acres, as well as the 3-cell lagoon that is located in the southwest portion of the requested service area. If approved, this combined service area will provide the opportunity to interconnect the systems. This opportunity can result in reduced future operations and maintenance costs where systems can be combined. Additionally, the extension beyond the city limits of Trimble would provide for service to be offered to residents that currently own failing septic tank systems and have interest in connection to the sewer system.

The proposed modified service area map is shown in Attachment A, and the modified written description is shown in Attachment B. Staff recommends that this proposed service area be approved, and that this service area be depicted in MAWC's tariff, as further discussed herein.

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<sup>1</sup> MAWC owns and operates two other systems in close proximity to the Association that are also charged the \$38.75 monthly flat rate prescribed by MO PSC No. 26 Sheet No. RT 3.1. See Commission Case Nos. SA-2019-0183 (Timber Springs) and SA-2020-0132 (Clinton Estates).

### **Tariff and Rate Matters**

A map and a legal description of the proposed service area, similar to that as shown on the attachments to this memorandum, will need to be included as new tariff sheets in MAWC's sewer tariff MO PSC No. 26.

Staff recommends that MAWC submit a revised tariff Sheet No. RT 3.1 that is identical to the existing Sheet No. RT 3.1 except adding Trimble and Centennial Acres as named applicable service areas.

The table of contents in MAWC's tariff will also need to be updated to reflect the addition of the new sheets containing the map, description, charges and revision of the rate sheet.

The specific revised and / or newly created tariff sheets, all to reflect the addition of the City and the Association as a named service area, will be as follows:

- Index - Sheet Nos. IN 1.1, IN 1.3, IN 1.4, IN 1.5
- Rates - Sheet No. RT 3.1
- Charges - Sheet No. SC 1.1
- Rules - Sheet No. 13.4

The specific new original tariff sheets, reflecting the map and description, replacing the previous map and description of Timber Springs, as the two systems (Timber Springs and Clinton Estates) will be enveloped within this service area, will be:

- Sheet No. MP 18.1
- Sheet No. CA 17.1

The specific sheets to be removed from the tariff, as the two systems (Timber Springs and Clinton Estates) will be enveloped within this service area, will be as follows:

- Sheet No. MP 19.1
- Sheet No. CA 18.1

Staff recommends that after approval but before MAWC closes on the utility assets, MAWC submit the new or revised sewer tariff sheets such that they may become effective on or before the date MAWC closes on both the City and Association assets.

### **Technical, Managerial, and Financial Capacity, and Tartan Energy Criteria**

Staff utilizes the concepts of Technical, Managerial, and Financial capabilities (TMF) in studying applications involving existing water and/or sewer systems. Staff has reviewed and stated its position regarding MAWC's TMF capacities in previous CCN and transfer of assets cases. MAWC has demonstrated over many years that it has adequate 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. After completing its review in this matter, Staff continues to find that MAWC holds the requisite TMF criteria.

It is also customary with most cases involving a new CCN for Staff to utilize the Tartan Criteria when analyzing requests for a new CCN. The Tartan criteria contemplate: 1) need for service; 2) the utility's qualifications; 3) the utility's financial ability; 4) the feasibility of the proposal; and, 5) promotion of the public interest. Similar to the TMF capacities, in previous CCN cases, Staff investigated these criteria and that investigation relates to this proposed acquisition. Based on Staff's investigation, it is Staff's opinion that MAWC has met each point of criteria, accordingly:

**(1) Need for Service**

There is both a current and future need for sewer service in and near the City of Trimble. Further, the current owners of the existing sewer systems subject to MAWC's Application, the City, and the Association have made the decision to sell the existing systems to MAWC, and will rely upon MAWC to properly operate and maintain the existing sewer systems in order that customers will continue to have safe and adequate service.

**(2) Applicant's Qualifications**

MAWC is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. MAWC is currently providing water service to approximately 470,000 customers and sewer service to more than 15,000 customers in several service areas throughout Missouri. MAWC is a subsidiary of American Water Works Company, Inc., and is affiliated with other American Water companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources.

**(3) Applicant's Financial Ability**

MAWC anticipates no external financing, and has demonstrated over many years that it has adequate resources to operate utility systems 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.

**(4) Feasibility of the Proposal**

As part of its normal scope in CCN applications, Staff reviews the economic feasibility of a utility's plan to acquire existing systems. Several factors go into the review of economic feasibility and it is not isolated to immediate anticipated profitability. Specifically for the Centennial Acres system that has such a small customer base with limited development opportunity and with the improvements MAWC has planned over the first three (3) years, the system on its own will not be profitable for several years. The ratepayers of these systems voted on and approved the sale of the systems by a majority vote. The citizens of Trimble voted on the question whether to sell the Trimble sewer system at a general municipal election held on April 7, 2020 with 104 votes being cast, 94 "yes" and 10 "no". According to MAWC's response to Staff Data Request No. 0012, the 16 owners of 23 developed and undeveloped lots voted to sell the Centennial Acres system with

11 “yes” votes, and 2 “no” votes with 3 votes not cast. MAWC is an existing operator near the requested certificated areas. The acquisition of these systems allows for economies of scale with future plant investments, spreading fixed costs over a larger customer base, future development opportunities within the requested certificated areas and the potential for expanded certificated area requests in the future. There is significant benefit to the customers of these systems by having an experienced operator that has demonstrated over many years that it has financial resources to operate utility systems that it owns, to acquire 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.

MAWC’s feasibility study indicates that the purchase of the City of Trimble’s sewer assets will generate positive income, but that the Centennial Acres sewer purchase will generate negative income, with a net positive income between the two systems. Consequently, the transaction in total is not a detriment to the public interest.

#### **(5) Promotion of the Public Interest**

As the Commission determined in Case No. GA-94-127, positive findings with respect to the other four standards above will in most instances support a finding that an application for a CCN will promote the public interest.

Staff’s conclusion is that the points regarding TMF capacities and the Tartan Energy criteria are all met, for this case.

#### **Depreciation**

In Case No. WR-2017-0285, the Commission ordered water and sewer depreciation rates applicable to all divisions of MAWC. Staff recommends the use of those approved sewer depreciation rates for the City of Trimble and Centennial Acres sewer assets. These Depreciation Rates are shown in Attachment C.

#### **Publicity and Customer Notice**

MAWC has notified the customers of the systems it has proposed to acquire. The City of Trimble held virtual town hall meetings related to the proposed acquisition. The town hall meetings were held on February 25, 2020, and March 17, 2020. The city cited MAWC’s expertise and capital resources as the benefits of selling the system. Residents of the Centennial Acres Homeowners Association were notified of the proposed acquisition and voted by mail in favor of selling its sewer system. Sixteen ballots were mailed to homeowners, with eleven voting in favor of the acquisition, and two opposing the acquisition.

#### **Customer Experience Department (CXD)**

MAWC maintains a business office in Lawson, Missouri. Customers will be able to visit the office in person 7:00 a.m. to 3:30 p.m. Monday through Friday. The Company also operates two nationwide call centers, which will be available for customers to contact toll-free from 7:00 a.m. to 7:00 p.m., Monday through Friday with 24/7 coverage for emergencies.

In order to incorporate the City and the Association customers into its billing and customer service systems, it will be necessary for MAWC to properly enter the appropriate customer information into its systems and apply the Commission-approved rate as recommended by Staff. Missouri American will also need to provide training to its call center personnel regarding rates and rules applicable to the City and Association customers so that customer service matters are handled accurately and in a timely manner.

### **Other Issues**

The City, as an unregulated sewer operation, has no obligations due to the Commission, and has no pending actions before the Commission.

The Association, as an unregulated sewer operation, has no obligations due to the Commission, and has no pending actions before the Commission.

MAWC is a corporation that is in “good standing” with the Missouri Secretary of State.

MAWC is current with annual report filings with the Commission through calendar year 2019, as documented on the Commission’s Electronic Filing and Information System (EFIS).

MAWC is current on its annual assessment quarterly payments through the third quarter of fiscal year 2020.

MAWC has other pending cases before the Commission, as follows:

- SA-2021-0017 (Application for Certificate)
- SA-2021-0120 (Application for Certificate)
- WR-2020-0344 (Rate Case)
- WA-2019-0364 (Application for Certificate)
- WA-2021-0116 (Application for Certificate)
- WC-2020-0181 (Complaint)
- WC-2020-0407 (Complaint)
- WC-2021-0075 (Complaint)
- WC-2021-0080 (Complaint)
- WC-2021-0129 (Complaint)
- WU-2020-0417 (Accounting Authority Order)
- WW-2019-0242 (Working Group)

These above-noted pending cases will have no impact upon this proposed case requesting a new CCN for sewer service in this requested area, nor will approval of the CCN impact the above-noted pending cases before the Commission.

### **STAFF’S RECOMMENDATIONS AND CONCLUSIONS**

Staff’s position, based on its review as described herein, is that the proposal for a new CCN to provide sewer service, and applying existing tariff and Association rates, is necessary and convenient for the public service. Staff therefore recommends approval with the following conditions and actions listed below:

1. Grant MAWC a CCN to provide sewer service in the proposed City and Association service area, as modified and outlined herein;
2. Approve MAWC’s adoption of sewer rates pursuant to MAWC’s current sewer tariff MO PSC No. 26 for both the City and the Association;

Require MAWC to submit newly created and / or revised tariff sheets, to become effective before closing on the assets, that include:

- a. Index (Sheet No. IN 1.1)
  - b. Index (Sheet No. IN 1.3)
  - c. Index (Sheet No. IN 1.4)
  - d. Index (Sheet No. IN 1.5)
  - e. Rules (Sheet No. 13.4)
  - f. Sewer rates (Sheet No. RT 3.1)
  - g. Sewer charges (Sheet No. SC 1.1)
  - h. Service area map (Sheet No. MP 18.1)
  - i. Service area written description (Sheet No. CA 17.1)
3. Require MAWC to notify the Commission of closing on the assets within five (5) days after such closing;
  4. If closing on the sewer system assets does not take place within thirty (30) days following the effective date of the Commission’s order approving such, require MAWC to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until MAWC determines that the transfer of the assets will not occur;
  5. If MAWC determines that a transfer of the assets will not occur, require MAWC to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require MAWC to submit tariff sheets as appropriate and necessary that would cancel service area maps, descriptions, rates and rules applicable to the City and Association service area in its sewer tariff;
  6. Require MAWC to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;



7. Adopt for the City and Association sewer assets the depreciation rates ordered for MAWC in Case No. WR-2017-0285;
8. Require MAWC to obtain from the City and Association, prior to or at closing, all available plant-in-service related records and documents, including but not limited to all plant-in-service original cost documentation, along with depreciation reserve balances, documentation of contribution-in-aid-of construction transactions, and any capital recovery transactions;
9. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the CCN to MAWC, including expenditures related to the certificated service area, in any later proceeding;
10. Require MAWC to provide training to its call center personnel regarding rates and rules applicable to the City and Association customers;
11. Require MAWC to include the City and Association customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets;
12. Require MAWC to distribute to the City and Association customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its sewer service, consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
13. Require MAWC to provide to the CXD Staff an example of its actual communication with the City and Association customers regarding its acquisition and operations of the sewer system assets, and how customers may reach MAWC, within ten (10) days after closing on the assets;
14. Require MAWC to provide to the CXD Staff a sample of ten (10) billing statements from the first month's billing within thirty (30) days after closing on the assets; and,
15. Require MAWC to file notice in this case outlining completion of the above-recommended training, customer communications, and notifications within ten (10) days after such communications and notifications.

Staff will submit a further recommendation regarding tariff sheets after filing by MAWC in this matter.

Attachments:

- A: Proposed Revised Sewer Service Area Map
- B: Proposed Revised Sewer Service Area Legal Description
- C: Depreciation Rates

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

In the Matter of Missouri-American Water Company )  
for Certificates of Convenience and Necessity ) File No. SA-2021-0074  
Authorizing it to Install, Own, Acquire, Construct, )  
Operate, Control, Manage and Maintain Sewer )  
Systems in and around the City of Trimble, Missouri )

**AFFIDAVIT OF JARROD J. ROBERTSON,  
DARONN A. WILLIAMS, ANDREW HARRIS, BEN RANKIN,  
GARY BANGERT, JARED GIACONE, KEITH MAJORS**

STATE OF MISSOURI     )  
                                          )     ss.  
COUNTY OF COLE     )

**COME NOW** Jarrod J. Robertson, Daronn A. Williams, Andrew Harris, Ben Rankin, Gary Bangert, Jared Giacone and Keith Majors, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Jarrod J. Robertson  
**JARROD J. ROBERTSON**

/s/ Daronn A. Williams  
**DARONN A. WILLIAMS**

/s/ Andrew Harris  
**ANDREW HARRIS**

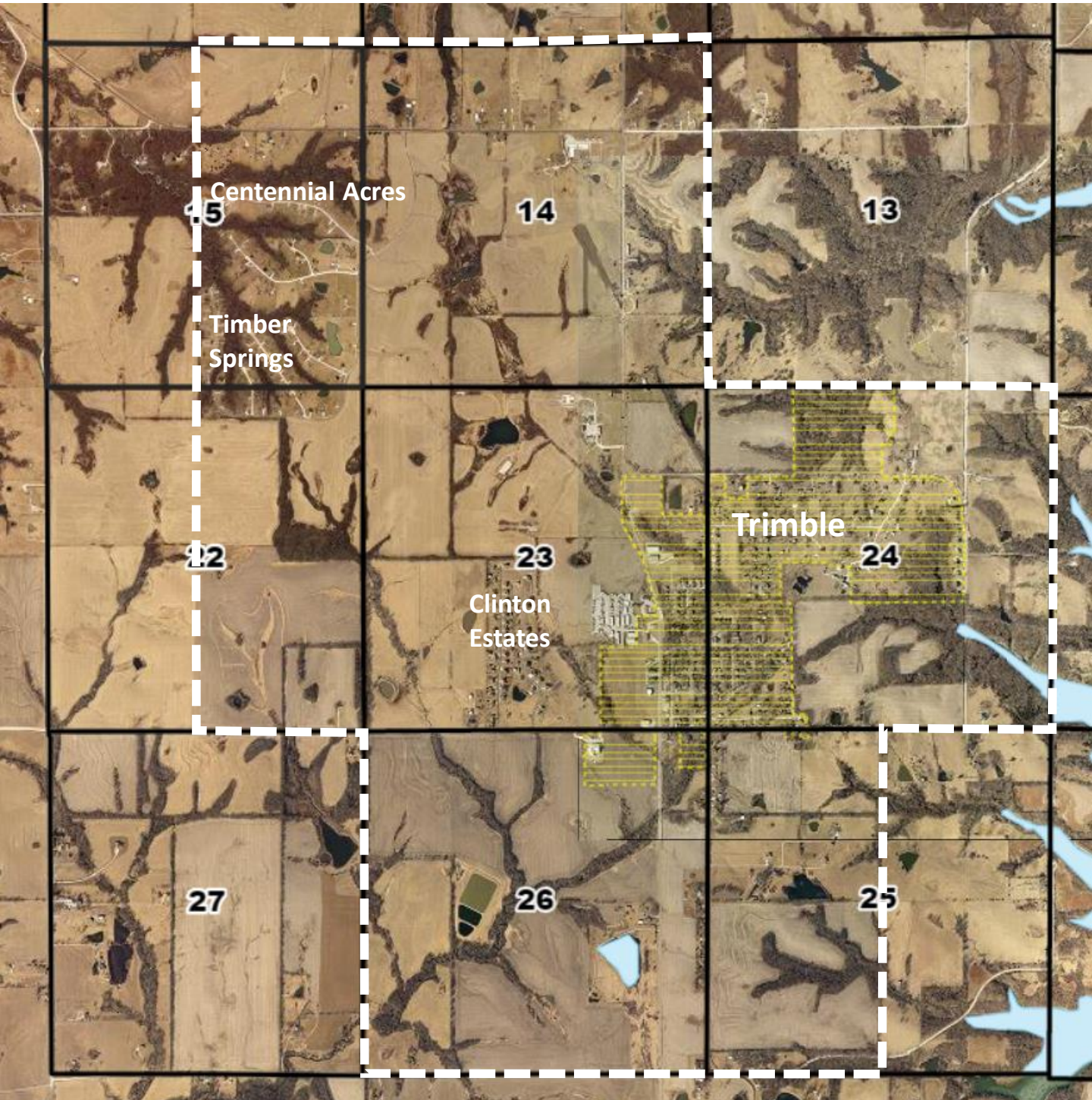
/s/ Ben Rankin  
**BEN RANKIN**

/s/ Gary Bangert  
**GARY BANGERT**

/s/ Jared Giacone  
**JARED GIACONE**

/s/ Keith Majors  
**KEITH MAJORS**

# Trimble Sanitary Sewer Service Area



## Trimble, MO Sanitary Sewer Service Area Boundary Description

A tract of land in part(s) of Sections 14, 15, 22, 23, 24, 25 and 26 all in Township 54 North, Range 33 West, Clinton County, Missouri and being more particularly described as follows;

Beginning at the Southeast corner of the Southwest Quarter of Section 25, Township 54 North, Range 33 West; thence west along the south line of said section to the Southwest corner thereof; being also the Southeast corner of Section 26; thence west along the south line of Section 26 to the Southwest corner thereof; thence north along the west line of Section 26 to the Northwest corner of said section; being also the Southeast corner of Section 22, thence west along the south line of section 22 to the Southwest corner of the Southeast quarter of Section 22; thence north along the west line thereof to the Northwest corner of said quarter; being also the Southwest corner of the Northeast Quarter of Section 22; thence north along the east line thereof to the Northwest corner of said Quarter; being also the Southwest corner of the Southeast quarter of Section 15; thence north along the west line thereof to the Northwest corner of said quarter; being also the Southwest corner of the Northeast Quarter of Section 15; thence north along the east line thereof to the Northwest corner of said Quarter; thence east along the north line of section 15 to the Northeast corner of the Northeast quarter of section 15, being also the northwest corner of section 14, thence along the north line of Section 14 to the Northeast corner thereof, thence south along the east line of section 14 to the Southeast corner of said section, also being the Northwest corner of Section 24, thence east along the north line of said section to the Northeast corner thereof, thence south along the east line of Section 24 to the Southeast corner thereof, thence west along the south line of section 24 to the Southwest corner of the Southeast quarter of section 24, being also the northeast corner of the Northwest quarter of section 25, thence south to the Southeast corner of the Northwest quarter of said section, being also the Northeast corner of the Southwest quarter of Section 25, thence south to the point of beginning.

**MISSOURI-AMERICAN WATER COMPANY**  
**SCHEDULE of DEPRECIATION RATES**  
**SEWER**  
**SA-2021-0074**

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>Remaining Life DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>% NET SALVAGE</u>
<b>COLLECTION PLANT</b>				
351	Structures & Improvements	2.03%	50	-5%
352.1	Collection Sewers (Force)	1.64%	60	-10%
352.2	Collection Sewers (Gravity)	1.58%	70	-20%
353	Services To Customers	2.87%	55	-40%
354	Flow Measuring Devices	3.38%	25	0%
356	Other Collection Equipment	3.15%	50	0%
357	Communication Equipment	6.67%	15	0%
<b>PUMPING PLANT</b>				
361	Structures & Improvements	2.17%	45	0%
362	Receiving Wells	2.87%	30	0%
363	Electric Pumping Equip, (Includes Generators)	4.31%	15	-5%
364	Diesel Pumping Equipment	4.31%	15	-5%
365	Other Pumping Equipment	4.31%	15	-5%
<b>TREATMENT &amp; DISPOSAL PLANT</b>				
371	Structures & Improvements Treatment & Disposal Equipment,	1.43%	60	-5%
372	(Includes pumps, blowers, generators)	3.97%	30	-20%
373	Plant Sewers	1.60%	50	0%
374	Outfall Sewer Lines	3.04%	35	0%
<b>GENERAL PLANT</b>				
390.0	Structures & Improve - General	3.11%	35	-5%
390.9	Structures & Improve - Leasehold	5.00%	20	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%
391.25	Computer Software	5.00%	20	0%
391.26	Personal Computer Software	10.00%	10	0%
391.3	Other Office Equipment	6.67%	15	0%
391.4	BTS Initial Investment	5.00%	20	0%
392.0	WW Transortation Euiptment	3.45%	10	5%
392.1	Transportation Equipment - Light trucks	3.45%	10	5%
392.2	Transportation Equipment - Heavy trucks	3.45%	10	5%
392.3	Transportation Equipment - Autos	3.45%	10	5%
392.4	Transportation Equipment - Other	3.45%	10	5%
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	7.71%	15	0%
397.1	Communication Equip - Non Telephone	6.67%	15	0%
397.2	Communication Equip - Telephone	6.67%	15	0%
398.0	Miscellaneous Equip	6.43%	15	0%
399.0	Other Tangible Equipment	0.00%	30	0%