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KELVIN L. SIMMONS

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

December 22, 2000

BRIAN D. KINKADE
Executive Director

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ROBERT SCHALLENBERG
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Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED²
DEC 22 2000
Missouri Public
Service Commission

RE: Case No. WR-2000-68 -- In the Matter of Terre Du Lac Utilities Corporation Water Rate Increase Request.

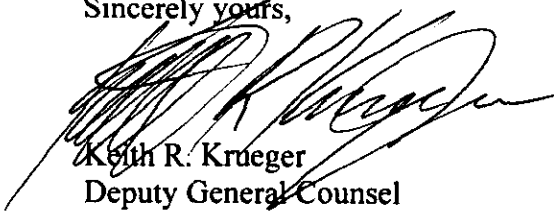
Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **RESPONSE TO ORDER DIRECTING FILING**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,


Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857
(573) 751-4140
(573) 751-9285 (Fax)
kkruog01@mail.state.mo.us

Enclosure
cc: Counsel of Record

FILED

DEC 22 2000

Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Terre Du Lac Utilities) Case No. WR-2000-68
Corporation Water Rate Increase Request.)

In the Matter of Terre Du Lac Utilities) Case No. SR-2000-69
Corporation Sewer Rate Increase Request.)

RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Response to Order Directing Filing states to the Missouri Public Service Commission ("Commission") as follows:

1. On October 13, 2000, the Staff filed its Staff Compliance Status Report ("Status Report") in these cases, regarding the compliance by Terre Du Lac Utilities Corporation ("Company") with the provisions of the Supplemental Agreement Regarding Disposition Of Small Company Rate Increase Request (the "Supplemental Agreement"), which the Company, the Staff and the Office of the Public Counsel ("OPC") executed and filed in these cases on February 4, 2000.

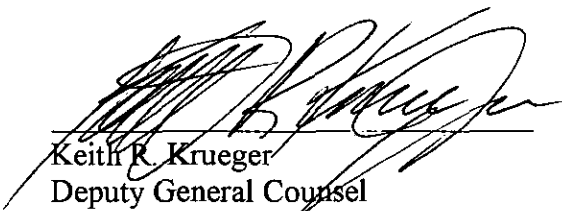
2. On November 21, 2000, the Commission issued its Order Directing Filing (the "November 21 Order") in these cases, wherein it directed the Staff, the Company and the OPC to file additional information regarding items C, D, E, H and I of the Supplemental Agreement, which the Commission did not believe were adequately resolved by the Staff's Status Report.

3. Attached hereto as Appendix A is a Staff Memorandum, which includes the information that the Commission's November 21 Order required the Staff to file by no later than December 22, 2000.

WHEREFORE, the Staff submits the attached Memorandum as its Response to Order Directing Filing for these cases, as directed by the Commission in its November 21 Order.

Respectfully Submitted,

DANA K. JOYCE
General Counsel


Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (telephone)
(573) 751-9285 (facsimile)
kkrueg01@mail.state.mo.us (e-mail)

Certificate of Service

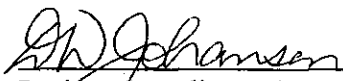
I hereby certify that copies of the foregoing have been mailed or hand-delivered to all parties of record, as shown on the attached service list this 22nd day of December 2000.

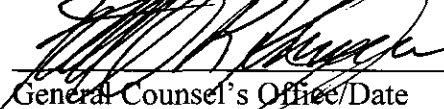


MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case Nos. WR-2000-68 and SR-2000-69
Terre Du Lac Utilities Corporation

FROM: Dale W. Johansen – Project Coordinator
Jim Merciel – Water & Sewer Department
Arlie Smith – Water & Sewer Department
Steve Loethen – Water & Sewer Department

 12/22/00
Project Coordinator/Date

 12-22-00
General Counsel's Office/Date

SUBJECT: Staff Response to Commission Order Directing Filing

DATE: December 22, 2000

Background

On October 13, 2000, the Staff of the Commission (Staff) filed its Staff Compliance Status Report (Status Report) in these cases regarding Terre Du Lac Utilities Corporation's (Company) compliance with the provisions of the Supplemental Agreement Regarding Disposition Of Small Company Rate Increase Request (Supplemental Agreement), which was entered into by the Company, the Staff and the Office of the Public Counsel (OPC) and filed in these cases on February 4, 2000.

On November 21, 2000, the Commission issued its Order Directing Filing (November 21 Order) in these cases wherein it directed the Staff, the Company and the OPC to file additional information regarding items C, D, E, H and I in the Supplemental Agreement, which the Commission did not believe were adequately resolved by the Staff's Status Report.

The Staff is filing this Memorandum in response to the Commission's November 21 Order. The remainder of this Memorandum contains the text of Ordered Sections 1, 2 and 5 of the November 21 Order, together with the Staff's response to each of those sections. These are the only sections of the November 21 Order to which the Staff must respond by December 22, 2000. On a related matter, the Staff would note that the Company has provided the Staff with the two items it was to provide pursuant to the November 21 Order.

Provisions of the November 21 Order and Staff's Responses Thereto

Ordered Section 1: That with respect to Item C, the Commission's Staff shall file a recommendation not later than December 22, 2000, advising the Commission whether the water service provided by the Terre Du Lac Utilities Corporation is presently safe and adequate absent the system improvements under consideration. The Staff recommendation shall also advise the Commission whether the system improvements under consideration would provide a significant improvement in the quality of the water service provided by the Terre Du Lac Utilities Corporation. The Terre Du Lac Utilities Corporation and the Office of the Public Counsel shall file a written response to the Staff recommendation not later than January 12, 2001.

Staff Response: As noted in its Status Report, the pressure checks taken by the Staff in July, with the cooperation of the Company, indicated adequate system pressures in the areas checked, which were areas that had been previously identified as "problem" areas. As a result, the Staff believes the water service being provided by the Company is currently "safe and adequate", without installation of the telemetry system controls that the Company was considering. Additionally, upon further consideration of the costs and potential benefits of the telemetry system controls for which the Company has received bids, the Staff is of the opinion that installation of such controls is not currently warranted. However, continued monitoring of problem areas identified through the receipt of customer contacts regarding pressure problems, and corrective actions in response to such problems on a case-by-case basis, is warranted and should be continued by the Company. Such actions will also provide the Staff with additional information to use in its continuing analysis of the Company's water system operations.

Ordered Section 2: That with respect to Item D, the Commission's Staff shall file a copy of its report regarding the sewer collection system of Terre Du Lac Utilities Corporation not later than December 22, 2000. The joint corrective action plan of the Staff, the Terre Du Lac Utilities Corporation and the Office of the Public Counsel regarding the sewer collection system shall be filed not later than January 12, 2001.

Staff Response: A copy of the Staff's report regarding the actions taken to date in evaluating the condition of the sewer system, and the Staff's analysis of the actions taken and/or being taken by the Company, is attached to this Memorandum (see Attachment A).

Ordered Section 5: That with respect to Item I, the Commission's Staff shall file a report describing the options available to the Terre Du Lac Utilities Corporation to require structures to be connected to its sewer collection system no later than December 22, 2000. The Terre Du Lac Utilities Corporation and the Office of the Public Counsel shall respond to that recommendation not later than January 12, 2001, and advise the Commission whether Terre Du Lac Utilities Corporation will or should pursue those options.

Staff Response: As with all Commission-regulated sewer systems, options directly available to the Company for requiring hook-ups to its collection system are essentially non-existent. However, in the Company's situation, there are two possible indirect options available in this regard.

First, Staff's investigation of this matter revealed that the general "covenants and restrictions" applicable to the sale of lots or parcels of land in the Terre Du Lac development, in which the Company's service area lies, include a separate "utilities covenant" that requires homeowners to pay the sewer service connection fee to the Company "after the sewer system becomes available" and further to connect to the system "once the central sewer system becomes available". Enforcement of both the general and specific covenants and restrictions lies with both Terre Du Lac Association, Inc. (the property owners' association) and Terre Du Lac, Inc. (the development company).

A second indirect option that may be available to the Company is for the St. Francois County and/or Washington County Health Departments to become involved in compelling the owners of dwellings that are not connected to the central sewer system to connect to the system where it is available. However, standards for such enforcement actions vary from county to county and the Staff is not aware of the standards currently applied to this matter by either St. Francois County or Washington County, or whether such standards are even in place.

Based on the above, the Staff recommends that the Company contact the entities identified above regarding the possibility of compelling the owners of dwellings that are not connected to the central sewer system, but which are located in areas where the system is available, to connect to the system. (As noted in the Staff's Status Report, the Company previously identified 53 such dwellings and reported that 22 of those dwellings had connected to the sewer system as of July 12, 2000. If applicable, the Company should provide an update to this number as a part of its response to this Memorandum.) Further, the Staff recommends that the Company provide, as a part of its response to this Memorandum, information regarding the contacts it makes with the above-referenced entities.

Report on Sewer System Inspections – Terre Du Lac Utilities Corporation
Prepared by Steve Loethen – Water & Sewer Department

Staff's Investigation

On January 18-19, 2000, Staff members from the Commission's Water & Sewer Department, along with representatives of the Company, inspected most of the manholes in the gravity sewer system at Terre Du Lac. The gravity system in the vicinity of the Lac Carmel area of the company's service area appears to be where most of the problems are in the company's sewer system. A list was made of the manholes inspected and the problems found. The two major problems with the sewer system, as is the case with most gravity systems, are clogs in the collecting sewers and surface water infiltration.

Most collecting sewer clogs are caused by the following: grease building up in the sewers; roots growing into the sewers or manholes through poorly sealed joints and growing inside the pipes; debris from broken pipes, or some other source lying inside the sewer; and the use of substandard materials or poor construction techniques that can cause uneven or diverted flow, which allows a place for solids to drop out and build up in the sewers. Some of the most efficient ways to reduce collecting sewer clogs are to clean the pipes and manhole inverts on a periodic basis and to replace those portions of sewers where problems occur frequently.

Infiltration is the entrance of storm water or ground water to the sewer system. It frequently occurs through defective or cracked pipes, pipe joints, connections or manhole walls. It can also occur by direct entry on customers' premises such as through roof downspouts or drains connected to the customer's plumbing. In cases where infiltration is a major problem, it is usually more cost efficient to reduce the infiltration as compared to completely stopping it. Severe cases of infiltration are nearly impossible to stop unless the system is completely replaced and thorough inspections are conducted of customers' premises. Ways to reduce infiltration are to pinpoint the more severe problems by smoke testing and observations, and then to repair, replace or rehabilitate the collecting sewers or manholes where these problems are occurring.

On July 20-21, 2000, Staff members and company representatives revisited the problem areas previously identified. The Staff found that the company has purchased a trailer-mounted hydraulic sewer cleaner, with which they have already cleaned several of the problem areas. The company has also implemented a cleaning program under which collecting sewers are cleaned on predetermined intervals. The company also has plans to replace some of the sewers where recurring problems exist. The company has also contacted the Staff to request information on companies that rehabilitate manholes and is checking into adopting such a program. Specifically, the company is considering entering into a contract under which a company would come out and rehabilitate a certain number of manholes each year for a number of years.

Staff's Conclusions

It is the Staff's opinion that the company is taking the steps necessary to improve the quality and efficiency of its gravity sewer system. The Staff also believes the company should move forward with a selective main replacement program and on a manhole rehabilitation program, with both programs to be initiated on a limited basis in those areas where the most severe problems exist.

Service List for
Case No. WR-2000-68/SR-2000-69
Revised Date: October 13, 2000

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Mr. Jim Kwon, President
Terre Du Lac Utilities Corp.
P.O. box 191
Bonne Terre, MO 63628

Ms. Patricia D. Perkins
221 Bolivar St., Ste. 300
P.O. Box 1069
Jefferson City, MO 65102