

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

In the Matter of the Application of Lake Region)	
Water & Sewer Company for a Certificate of)	
Convenience and Necessity Authorizing it to)	
Construct, Install, Own, Operate, Control,)	
Manage, and Maintain a Sewer System for the)	Case No. SA-2011-0174
Public Located in an Unincorporated Area in)	
Camden County, Missouri)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and submits its *Recommendation* as follows:

1. On December 21, 2010, Lake Region Water and Sewer Company (Lake Region or Applicant) filed an *Application* with the Missouri Public Service Commission (Commission) seeking permission, approval, and a certificate of convenience and necessity (CCN) authorizing Applicant to install, acquire, build, construct, own, operate, control, manage, maintain and extend a sewer system for the public in unincorporated Camden County, Missouri. Lake Region requests a certificate to serve certain sections of Township 40 North, Range 16 West in Camden County, Missouri.

2. On December 23, 2010, the Commission issued an *Order Directing Notice and Setting Date For Submission of Intervention Requests*. The deadline for invention was January 12, 2011. Staff was ordered to file a recommendation no later than February 14, 2011.

3. Staff is recommending that the Commission approve the *Application* for the expanded Certificate for Convenience and Necessity. *See Staff Memorandum* attached hereto as Exhibit 1.

4. According to Section 393.170.3 RSMo (2000), the Commission has the “power to grant [a certificate of convenience and necessity]. . . whenever it shall after due hearing determine that such construction or such exercise of the right, [or] privilege . . . is necessary or convenient for the public service. The Commission may by its order impose such condition or conditions as it may deem reasonable and necessary.”

5. The Commission established five criteria in *In re Tartan Energy Company*, 3 Mo. P.S.C. 3d 173, 177 (1994) that should be considered when making a determination in an application case; (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 the *Staff Memorandum* attached hereto, Staff has determined that the Company has met all five criteria set forth in *In re Tartan Energy Company*, thus establishing a need for a CCN for the expanded service area.

7. The Commission need not hold a hearing, if, after proper notice and opportunity to intervene, no party request such a hearing. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo. App. W.D. 1989). No party or individual has requested a hearing, thereby the Commission need not hold a hearing to grant a CCN to the Company.

8. Lake Region is currently a party to File No. SO-2011-0046 pending before the Commission.

9. Lake Region is current on its Annual Report filings and current on its PSC Assessments.

WHEREFORE, Staff respectfully requests the Commission issue an order granting Lake Region Water and Sewer Company a certificate of convenience and necessity to provide water service to the service area described in the *Staff Memorandum* attached hereto.

Respectfully submitted,

/s/ Jaime N. Ott

Jaime N. Ott
Associate Counsel
Missouri Bar No. 60949

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8700 (Telephone)
(573) 751-9285 (Fax)
jaime.ott@psc.mo.gov

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 14th day of February, 2011.

/s/ Jaime N. Ott

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. SA-2011-0174 (Ginger Road expansion)
Lake Region Water and Sewer Company

FROM: Martin Hummel – Water & Sewer Department

/s/ Martin Hummel 2/14/11 /s/ Jaime Ott 2/14/11
Utility Engineering Spec. / Date Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation for Granting a Certificate of Convenience and Necessity

DATE: February 14, 2011

BACKGROUND

On December 21, 2010¹, Lake Region Water and Sewer Company (LRWS or Company) filed an Application for a certificate of convenience and necessity (Certificate) to extend its currently approved sewer service territory to include the area referred to as the Ginger Road Extension located on Horseshoe Bend in Camden County, Missouri. This area is adjacent to existing LRWS certificated areas.

On December 23, 2010 the Commission issued its *Order Directing Notice* regarding the Company's Application. The *Order Directing Notice* directed the Commission's Records Department and Information Office to send out its standard public notices regarding the Application and also established a deadline of January 12 for interested parties to submit requests to intervene in the case. No requests to intervene in the case were submitted to the Commission.

The Company was incorporated in 1971 with the name Four Seasons Lakesites Water & Sewer Co., and certificated by the Commission as a water and sewer utility in Case No. 17,954, in 1973. In that case, the Commission granted the Company a Certificate of Convenience and Necessity (Certificate) to provide water and sewer service within an area at the Lake of the Ozarks known as Horseshoe Bend. In 1992 the water utility on Horse Shoe bend was transferred to Ozark Shores Water Company. Additional service areas have been added to LRWS's certificated service area in subsequent cases. In March 1999 the Company changed its name to Lake Region Water and Sewer Company. Currently, the Company's certificated service areas are all located at the Lake of the Ozarks on Horseshoe Bend and Shawnee Bend in Camden County, Missouri. Though not a subject of this application, drinking water service in the proposed area is currently provided primarily by private wells and also available from Ozark Shores Water Company and Camden County PWSD # 4.

The Company's proposed expansion area is adjacent to its current Horseshoe Bend service area that has its wastewater flow treated at the Racquet Club Treatment Plant. This new area includes a peninsula of land that is primarily accessed by Ginger Road off of Carol Road. The wastewater collection system

¹ Unless noted otherwise, all dates herein refer to the year 2011.

will use pressure sewers with pump units at individual customer premises, and lift stations and force mains to transport sewage to the treatment facility. New development in this area is expected to be slow for the next three years. LRWS has treatment capacity capable of accommodating the expected increase in flow. Although no changes in the current tariff rules are required to serve new customers in the requested area, the Staff recommends that LRWS add language to its extension rule, Rule 12 (A)(9) sheet No. 28, as the Staff further articulates in its findings and conclusions below.

Staff's Findings and Conclusions

The Company's current Commission-approved rate is \$29.39 per month per customer for its Horseshoe Bend service area, along with a one-time Connection Charge of \$150 per new customer. As proposed in the Application, the Staff believes that the proposed area should be added to the Company's current certificated service territory and be subject to its currently effective rates, rules, and regulations. In addition, Staff concludes that the following language should be added to the extension rule at Rule 12 (A)(9) sheet No.28: "The Applicant may, at the discretion of the Company, be required to provide sewer utility easements through its property that would be needed in the future for the Company to extend service past the Applicant's property."

Subsequent to the Commission granting LRWS a certificate for the subject service area, LRWS will need to amend its existing tariff by filing both new and/or revised tariff sheets for the Commission's approval. The new tariff sheets will need to include a map and a written description of the expanded Ginger Road service area, and the revised sheet No. 28 to add the language stated above.

THE TARTAN ENERGY CRITERIA

Is there a need for the proposed services, and is there a need for the Company to provide the proposed services?

Yes. There is a general need for sewer service in order for development to occur in the proposed service area, the Company's proposal to provide service is a sound answer to that need. There are no other sewer utilities offering service to the general public, although there are some small customer owned systems. Some of these systems are failing or at the end of their useful life, and consequently are part of the need for service provided by a sewer utility.

Is the Company qualified to provide the proposed service?

Yes. Based on the Staff's investigation and its familiarity with LRWS, the Staff believes that LRWS has the technical, managerial and financial capacities necessary to provide the proposed service. The operations staff of LRWS has several years experience and appropriate level operator certifications. The manager also has extensive experience with sewer utility service.

Does the Company have the financial ability to provide the proposed services?

Yes. Staff recently completed a full and complete audit of LRWS in conjunction with its just completed rate case SR-2010-0110. At this time, based upon that rate case and Staff's knowledge of the Company, the Staff is of the opinion that the Company has the financial ability to provide service to this area.

Further, the Company has recently completed a capital project that extended a portion of its collection system through part of the proposed area and this will allow the Company to potentially add new customers to that extension. Finally, LRWS's tariff extension rule provides that the developer/customer requesting service will construct and transfer the sewer collection system at no cost to LRWS for its perpetual operation and maintenance.

Is the Company's proposal economically feasible?

Yes. The proposed area already has access to the Company's infrastructure that was accounted for in its just completed rate case. The addition of this new area will allow the Company to add customers to its current level. Currently, LRWS provides service to about 760 sewer customers. Any new customers that would require extensions from the Company's current infrastructure would require the developer/customer to construct and transfer the extension to LRWS at no cost to the Company, per the Company's extension rule. Nothing else in this proposal will impact the Company's ability to continue its provision of service.

Does the Company's proposal promote the public interest?

Yes. LRWS's proposed sewer service fulfills one of the requirements that make development possible in this portion of unincorporated Camden County. As such, it is in the public interest. Additionally, the presumption in these types of cases is that if the other four criteria are met then this criterion is also met.

ADDITIONAL INFORMATION

The Staff has reviewed LRWS's compliance history regarding the submittal of its Commission annual reports and the payment of its Commission assessments. Based on that review, the Staff notes that LRWS is current on the submission of its annual reports and the payment of its assessments.

The Staff notes that LRWS currently has one other case, pending before the Commission. Case No. SO-2011-0046 was created to resolve a dispute over a flow measurement device used for billing a large commercial customer. The Staff believes that activity in Case No. SO-2011-0046 will have no impact upon the subject case, and the granting of this proposed service area will have no impact upon SO-2011-0046.

The Staff has reviewed LRWS's current operations and found it to be operating its facilities diligently. The Company has a record of cooperation with the Staff and the Missouri Department of Natural Resources (DNR) regarding its operations. The Staff has contacted DNR personnel at their Southwest Regional Office about LRWS's current status and learned that DNR has not issued any notices of violations to LRWS for any of its systems in the past few years.

STAFF'S RECOMMENDATIONS

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

- 1) Grants LRWS a certificate for the provision of sewer service to the Ginger Road area as requested in its Application;

- 2) Approves the Company's existing monthly customer rate of \$29.39, general service charges and depreciation rates to be applicable to the proposed service area;
- 3) Directs LRWS to submit new and revised tariff sheets for its existing tariff as described above, specifically Rule 12(A)(9) Sheet No. 28, within 30 days after the date the Commission issues its order granting the certificate, with the tariff sheets to bear an effective date that is at least 30 days from the date the tariff sheets are submitted to the Commission;
- 4) Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the requested certificate, including future expenditures by LRWS, in any later proceeding.

In addition to the above, the Staff notes this case should remain open for receipt of the tariff filing discussed in item 3 above, the receipt of the Staff recommendation regarding the tariff filing and the issuance of the Commission's order regarding approval of the tariff filing.

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Certificate of Convenience and)
Necessity Authorizing it to Construct,)
Install, Own, Operate, Control, Manage,)
and Maintain a Sewer System for the)
Public Located in an Unincorporated)
Area in Camden County, Missouri)

Case No. SA-2011-0174

AFFIDAVIT OF MARTIN HUMMEL

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Martin Hummel, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Martin Hummel

Subscribed and sworn to before me this 14th day of February, 2011.





Notary Public