

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

In the Matter of the Application of            )  
Elm Hills Utility Operating                )  
Company, Inc. for a Certificate of        )  
Convenience and Necessity                )  
**Case No. SA-2018-0313**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Recommendation* in this matter hereby states:

1. Elm Hills Utility Operating Company (“Elm Hills”) filed an *Application and Motion for Waiver* asking the Commission for permission to acquire and to grant it a certificate of convenience and necessity (CCN) for certain service areas in Johnson County known as the Rainbow Estates area and the Twin Oaks or Preserve area.

2. Staff conducted a full investigation which is outlined in detail in its *Memorandum* attached to this pleading as Appendix A. Neither system that Elm Hills seeks to acquire and obtain a CCN for is currently regulated by the Commission, but Staff recommends that it is necessary and in the public interest for Elm Hills to be granted a CCN for each system.

3. Elm Hills currently operates one water system and two sewer systems in Sedalia, Missouri. Staff recommends that Elm Hills meets the technical, managerial and financial requirements as well as the Tartan criteria, which it evaluates in detail in Appendix A. Staff makes several further recommendations in its *Memorandum*, restated here:

- Grant Elm Hills a CCN to provide sewer service in the proposed Rainbow Acres and in the proposed Twin Oaks/Preserve service areas as described in the Application and modified in this memorandum;
- Authorize Elm Hills to file new tariff sheets in its sewer tariff showing a service area map and written description for Rainbow Acres and for Twin Oaks/Preserve to become effective prior to Elm Hills closing on the assets;
- Require Elm Hills to file new rate sheets in its sewer tariff, to reflect a monthly flat rate of \$15 applicable to each of the Rainbow Acres residential customers, and a flat rate of \$140 per month applicable to the homeowners association in Twin Oaks/Preserve, to become effective prior to Elm Hills closing on the assets;
- Require Elm Hills to file a revised tariff sheet in its sewer tariff, applying existing service charges to Rainbow Acres and to Twin Oaks/Preserve;
- Require Elm Hills to file new tariff sheets outlining rules for pressure sewers and pump units, applicable to customers in Twin Oaks/Preserve, to become effective prior to Elm Hills closing on the Twin Oaks/Preserve assets;
- Require Elm Hills to notify the Commission of closing on the Rainbow Acres and Twin Oaks/Preserve assets within five (5) days after such closing on any of the respective assets;
- If closing on any of the assets does not take place within thirty (30) days following the effective date of the Commission's order, require Elm Hills to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing on the respective assets, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Elm Hills determines that a sale of any of the respective assets will not occur;
- If Elm Hills determines that a sale of any of the respective assets will not occur, require Elm Hills to notify the Commission of such, after which time the Commission may modify, cancel, or deem null and void, the CCN issued to Elm Hills for the specific service area, and require any necessary and appropriate tariff filing action;
- Require Elm Hills to file a rate case within two (2) years of its closing date on the Twin Oaks/Preserve assets;
- Require Elm Hills to utilize its existing sewer depreciation rates for the Rainbow Acres and Twin Oaks/Preserve utility assets;

- Require Elm Hills to continue to keep all of its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- Require Elm Hills to provide the CXD Staff a sample of ten (10) billing statements issued to its customers. These should be submitted within thirty (30) days of the first billing sent to customers in Rainbow Acres and Twin Oaks/Preserve;
- Require Elm Hills to distribute to all residential sewer customers in Rainbow Acres and Twin Oaks/Preserve an informational brochure detailing the rights and responsibilities of the utility and its customers, consistent with the requirements of Commission Rule 4 CSR 240-13.040(3), within ten (10) days of closing on the assets;
- Require Elm Hills to provide an example of its communication efforts with the Rainbow Acres and Twin Oaks/Preserve customers regarding its acquisition of the systems and methods by which customers can contact Elm Hills, within ten (10) days after closing on the assets. The version of the communication sent to customers in the Twin Oaks/Preserve service area should also state that when Elm Hills seeks a rate increase with the Commission, which could happen within two (2) years, it intends to proposed a new rate applicable to individual customers. And if and when such a rate is approved, then instead of their homeowners association paying sewer system expenses, customers would individually receive sewer bills similar to bills that other sewer customers receive, and they will be responsible for payment of such bills;
- Require Elm Hills to submit a notice in the case file regarding completion of sending the above-recommended bill examples, customer informational brochure, and revised contact information, resulting from these transfers of assets; and,
- Make no finding of the value of this transaction for ratemaking purposes, and make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded these financing transactions or any other matters pertaining to approval of this transfer of assets and the granting of a CCN to Elm Hills, including expenditures incurred related to sewer systems in the certificated service areas, in any later proceeding.

4. Staff will file an additional recommendation based on the tariff filings

to be made by Elm Hills pending the Commission's approval of the *Application*.

**WHEREFORE**, Staff prays that the Commission will accept this *Recommendation*; grant Elm Hills Utility Operating Company, Inc.'s *Application*

constrained by Staff's additional recommendations; and grant such other and further relief as the Commission considers just in the circumstances.

**/s/ Whitney Payne**

Whitney Payne  
Legal Counsel  
Missouri Bar No. 64078  
Attorney for the Staff of the  
Missouri Public Service Commission  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 30th day of July, 2018, to all counsel of record.

**/s/ Whitney Payne**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. SA-2018-0313

FROM: James A. Merciel, Jr. – Water and Sewer Department; Case Coordinator  
David Roos – Water and Sewer Department  
Ashley Sarver – Auditing Department  
Contessa King – Customer Experience Department  
Gary Bangert - Customer Experience Department

<u>/s/ Jim Merciel</u> Case Coordinator	<u>July 30, 2018</u> Date
<u>/s/ Whitney Payne</u> Staff Counsel	<u>July 30, 2018</u> Date

SUBJECT: Staff’s Recommended Approval for Certificate of Convenience and Necessity

DATE: July 30, 2018

### CASE BACKGROUND

On May 1, 2018, Elm Hills Utility Operating Company, Inc. (Elm Hills) filed an *Application and Motion for Waiver* (Application) with the Commission. Elm Hills, an existing regulated water and sewer utility, seeks a Certificate of Convenience and Necessity (CCN) to provide sewer service in two additional subdivisions. One is known as Rainbow Estates. The other is known by two names, Twin Oaks Estates or The Preserve, and is referred to herein as Twin Oaks/Preserve. Both subdivisions presently utilize existing sewer systems that are owned and controlled by homeowners association organizations and are not regulated by the Commission.

On May 2, 2018, the Commission issued its *Order Directing Notice and Setting Dates for Submission of Intervention Requests and Staff Recommendation*. Among other ordered activities, the Commission directed Staff to file a recommendation regarding this Application no later than June 29, 2018. On June 25, 2018, Staff requested an extension of its recommendation filing date to July 30, 2018, which the Commission subsequently approved.

### BACKGROUND INFORMATION

Elm Hills’ regulated operation was initially approved by the Commission in Case No. SM-2017-0150. In that case the Commission granted a regulated water and sewer utility near Sedalia, Missouri Utilities Company, authority to transfer its assets to Elm Hills. In that same case, the Commission granted Elm Hills authority to provide service in a subdivision named State Park Village near Warrensburg, which was accomplished by purchasing a sewer system that was owned by an unregulated homeowners association. Elm Hills reported 152 water customers and 332 sewer customers in its 2017 annual report filed with the Commission.

Elm Hills, through its parent corporation Central States Water Resources, Inc., is affiliated with three (3) other Missouri regulated utilities, namely Hillcrest Utility Operating Company, Inc., Raccoon Creek Utility Operating Company, Inc., and Indian Hills Utility Operating Company, Inc. Elm Hills is also affiliated with a proposed regulated utility that has a pending case before the Commission – Confluence Rivers Utility Operating Company, Inc., Case No. WM-2018-0116.

The Rainbow Acres subdivision is near Knob Noster. There are forty-six (46) existing residential customers on the sewer system according to the Application. The sewer collection system is a gravity flow design, and the current treatment facility consists of a three (3) cell lagoon. Although the lagoon has more hydraulic flow capacity than is presently needed for the existing customers, the facility is unable to consistently meet discharge limits for ammonia and for e-coli bacteria, as prescribed by the Missouri Department of Natural Resources (DNR). The system is presently owned and operated by the Rainbow Acres Homeowners Association, Inc., according to the Application, and charges each of its members \$15 per month for sewer service, according to the Application.

The Twin Oaks/Preserve subdivision is also near Knob Noster with fifty-three (53) existing residential customers according to the Application. At this time, there is new home construction taking place within the subdivision. The sewer system includes a pressurized collection system. Connecting to the pressure collecting sewers requires that each customer utilize a “pump unit” located at their residence. The pump unit utilizes a septic tank of several hundred gallons, to which sewage flows from the house, and is a part of the sewage treatment process. An internal electric pump, sometimes called a septic tank effluent pump or “STEP,” sends what is referred to as “grey water,” through the pressure collection system and on to a recirculating sand filter (RSF) treatment facility. In addition to partial sewage treatment in the septic tank, solids settle and are retained in the septic tank, and must be removed every few years. Similar to the Rainbow Acres lagoon, the Twin Oaks/Preserve RSF does not consistently meet DNR prescribed discharge limits for ammonia and e-coli. According to the Application, the system is presently owned and operated by the Rainbow Acres Homeowners Association, Inc., members of which have sewer service included along with other benefits of membership with no separate bill for sewer service.

For each of these two systems, Elm Hills has indicated that it intends to construct a treatment component to provide an additional treatment process beyond that of the existing systems, in order to meet DNR effluent requirements.

## **STAFF’S INVESTIGATION**

### **Technical Capacity and Proposed Plant Additions**

Elm Hills’ president, Josiah Cox, has experience in the design and operation of water and sewer systems. Elm Hills utilizes a contract operator for plant operations, employing appropriately qualified and licensed utility system operators, ultimately supervised by Mr. Cox. Along with Elm Hills’ other operations and that of its affiliates, the contract operator will undertake routine

day-to-day inspections, checks, sampling and reporting for the sewer systems proposed to be acquired, as well as handle most system repairs and extraordinary operations tasks as the need arises, to address proper facility operations and customer service matters.

Elm Hills informs Staff that for each of these two facilities, it intends to construct an additional treatment process that will improve the ammonia and e-coli discharge. The component to be used is called a Moving Bed Bio Reactor, or MBBR, which is a mechanical unit that employs biological wastewater treatment. Elm Hills' affiliates are presently using MBBRs at other service areas.

### **Financial Capacity and Financing of Plant Improvements**

The Auditing Department reviewed information provided by Elm Hills in response to Staff's data requests, as well as Elm Hills' work papers. Elm Hills has provided information regarding future capital cost expectations. Elm Hills requests no new financing authority in this case, and states to Staff that it will utilize previously-approved financing for Rainbow/Twin Oaks proposed capital improvements.

### **Managerial Capacity**

Elm Hills utilizes a contract billing agent and an emergency answering service, which are also used by its affiliated regulated utilities. In addition to preparing and sending bills, the billing agent has responsibility for handling customer calls pertaining to billing, bill adjustments, payment plans, and the opening and closing of customers' accounts. In addition, the billing agent interacts with Elm Hills' staff in working with customer complaints. The contract billing agent and the answering service will be available to route service complaints and inquiries for these newly-acquired systems should the Commission approve the application. The president of Elm Hills, Josiah Cox, will also be available by telephone when severe emergencies arise, if necessary.

### **Rate Base**

Based on the current condition, need for improvements, and the agreed-upon sale prices for these systems, Staff considers the current rate base value of each of these sewer systems to be zero. Elm Hills will have a vested financial interest after it constructs the planned improvements. Staff will study actual documented capital investment in a future Elm Hills' rate case.

Commission rules require Elm Hills to continue to keep its financial records for utility plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts. Staff recommends the Commission specifically require such recordkeeping requirements apply to Elm Hills' utility plant assets of the Rainbow Acres and Twin Oaks/Preserve sewer systems.

## **Rates**

Rainbow Acres currently has a flat rate for sewer service of \$15 per month. Elm Hills proposes to adopt this rate initially, and Staff agrees that is reasonable.

The homeowners association presently operating the sewer system in Twin Oaks/Preserve does not directly charge residential customers a sewer rate. According to Elm Hills, the association allocates \$140 per month of its combined resident dues and other revenues to sewer-related expenditures. Elm Hills proposes to initially adopt this existing arrangement as closely as possible by charging the association \$140 per month, instead of issuing individual bills to each residential customer. Elm Hills states to Staff that when it files a rate case, it will establish rates applicable to individual residential customers, and begin billing each such customer as it does for its other customers pursuant to Commission approval in the rate case. Staff agrees this practice is reasonable as an interim measure, until a rate case is completed and the appropriate individual customer rate is determined and approved. One consideration is that this proposed charge, in which billing is sent only to the association, results in very little revenue. Adding individual billing expense for each customer on top of facility operations expense is likely not viable even on a short-term basis without creating new rates that would apply to the individual residential customers. For this reason, Staff recommends that Elm Hills submit a rate case within two (2) years after closing on the assets of The Twin Oaks/Preserve, so that proper customer rates may be addressed. Staff will consider rates for all of Elm Hills's systems that are based on capital investment, actual documented operating costs and individual customer billing at that time. Staff has suggested in Case No. WM-2018-0116 that all of the Central States Water Resources regulated affiliates submit rate cases concurrently. However, if that does not happen within two years, then Staff recommends that Elm Hills submit a rate case anyway within this time-frame.

## **Depreciation**

Elm Hills currently has depreciation rates for sewer plant accounts that were established in Case No. SM-2017-0150. Staff recommends no change to Elm Hills approved depreciation schedule for sewer plant accounts at this time, and recommends that the existing depreciation schedule apply to assets in these new proposed service areas.

## **TARTAN ENERGY CRITERIA**

In addition to the technical, managerial and financial capacities (TMF) as outlined above, it is customary with most cases involving a new CCN for Staff to use criteria that was studied and analyzed by the Commission in a past CCN case, GA-94-127 filed by the Tartan Energy Company, to justify granting a CCN. The Commission has continued to support this practice in recent cases. The Tartan criteria and Staff's analysis of Elm Hills' proposed Rainbow Acres and Twin Oaks/Preserve service areas are as follows:



### **(1) Need for Service**

There is a need for service. Existing residential customers in the involved subdivisions have a desire and need for continued sewer service. There are existing sewer systems presently utilized to provide such service, but they both need capital improvements and improved operations. No other similar systems are readily available. Further, the current owners of the existing sewer systems, the homeowners, have made a decision to cease managing and operating these systems, instead deciding to sell them to Elm Hills and rely upon Elm Hills to properly operate them in order that customers will continue to have safe and adequate service.

### **(2) Applicant's Qualifications**

Elm Hills is qualified to provide the service, as it and its similarly-managed affiliates have demonstrated by providing similar services in other areas of Missouri. Staff has determined that Elm Hills specifically is able to assume operations of the existing involved sewer systems, which is similar to assuming operations of other existing water and/or sewer systems throughout Missouri in recent years. Elm Hills and its affiliates have also demonstrated the capability of undertaking necessary future capital improvements for continued operations with safe and adequate service.

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

Elm Hills and its affiliates have demonstrated ability to utilize available approved financial resources in its other Missouri service areas to undertake rehabilitations, replacements and improvements to substandard water and sewer systems. With respect to financing and capital funding, Elm Hills requests no special treatment of the acquisition of the Rainbow Acres and Twin Oaks/Preserve assets.

### **(4) Economic Feasibility of Proposal**

Elm Hills' proposal to own and operate the Rainbow Acres and Twin Oaks/Preserve sewer systems is economically feasible. This is based on Staff's evaluation of pro-forma future rate base determination and anticipated operating expenses, along with Elm Hills' ability to combine the proposed operation of the involved sewer systems into its existing operations. It is notable, however, that these are somewhat distressed systems, and rates are likely to increase in the future, but Elm Hills' plans would result in improved customer service and environmental regulatory compliance.

### **(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 certificate of convenience and necessity will promote the public interest. For the reasons outlined throughout this memorandum, Staff asserts that Elm Hills' request for a CCN and the related acquisition of the sewer systems is not detrimental to the public interest.

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

## **CUSTOMER NOTICE AND CUSTOMER SERVICE**

Elm Hills states to Staff (by data request response) it sent a notice regarding this case to the involved customers, by the terms of a Commission order, on June 7, 2018. Staff had reviewed a draft of the notice, and has informally received a copy of the final version from Elm Hills. Elm Hills also states that for each of the service areas, before filing this case it had sent letters to customers, announcing the proposed sale, and stating that it was entering into a management and billing contract with the respective homeowners association. Staff has received no public comments from any customers regarding this case.

In order to ensure that Elm Hills adequately communicates with the additional customers in these new proposed service areas, the Customer Experience Department (CXD) Staff recommends that Elm Hills provide it with copies of future communications with customers. These communications should include Elm Hills' informational brochure detailing the rights and responsibilities of the utility and its customers that is required by Commission Rule 4 CSR 240-13.040(3). CXD Staff also recommends that Elm Hills provide ten customer bills to Staff from the first billing cycle to allow Staff to review for billing accuracy.

Staff recommends that Elm Hills communicate with the new customers within ten (10) days after closing on the assets, to inform them of its acquisition of the systems and methods by which customers can contact Elm Hills. For customers in the Twin Oaks/Preserve service area, this communication should also inform these customers that when Elm Hills seeks a rate increase with the Commission, which could happen within a few years, it intends to propose a new rate applicable to individual customers. If and when such a rate is approved, then instead of their homeowners association paying sewer system expenses, customers would individually receive sewer bills similar to bills that other sewer customers receive, and they will be responsible for payment of such bills.

Staff also recommends that Elm Hills file notice in this case after the Staff recommendations regarding all customer communications have been completed.

## **OTHER ISSUES**

Elm Hills began its regulated utility business during Fiscal Year 2018, and has not yet incurred annual assessments from the Commission. Elm Hills timely filed its annual report for calendar year 2017. Elm Hills is a corporation that is in "Good Standing" with the Missouri Secretary of State.

Elm Hills has no other pending cases before the Commission at this time.

Neither Rainbow Acres, nor Twin Oaks/Preserve are regulated operations, and thus are not subject to annual report or assessment requirements.

Staff reviewed the proposed service areas as submitted in the Application, and agrees they are both generally reasonable. However, the map for Rainbow Acres that was submitted with the

Application as Appendix A does not correlate with the written description submitted with the Application as Appendix C. Staff and Elm Hills worked together to slightly modify both the service area map and written description. The correct map and description for the Rainbow Acres service area, which Elm Hills requests and Staff recommends, are included with this memorandum as Attachments A and B, respectively. Additionally, Elm Hills sent to Staff an improved map for Twin Oaks/Preserve that shows United States Geological Survey section corners and public roadways. These maps and descriptions, or similar-appearing documents, will be included in Elm Hills' sewer tariff filing if Elm Hills receives the approval of the Commission.

### **TARIFF MATTERS**

Elm Hills will need additional tariff sheets for its existing tariff that will apply specifically to Rainbow Acres and Twin Oaks/Preserve. These include the following:

- Rates for Rainbow Acres and for Twin Oaks/Preserve as requested by Elm Hills and recommended by Staff in this case;
- A map, and metes and bounds description, for Twin Oaks/Preserve as requested by Elm Hills in the application;
- A map, and metes and bounds description, for Rainbow Acres as modified and shown on the attachments to this memorandum;
- Existing service charges that apply to Elm Hills' current service areas, to also apply to the new to Rainbow Acres and Twin Oaks/Preserve areas; and,
- New rules for pressure sewers and pump units, that are necessary and will apply in the Twin Oaks/Preserve service area.

Such tariff sheets should be submitted as a 30-day filing after approval of these new service areas, but submitted in time for them to become effective before Elm Hills closes on the assets of either system and begins providing service to the involved customers.

During this case, Staff and Elm Hills began working together on a new replacement sewer tariff, because Elm Hills' current sewer tariff, which it adopted from Missouri Utilities Company in Case No. SM-2017-0150, became effective in 1993 and is outdated. Staff anticipates that the updated replacement sewer tariff will be filed after Commission approval of Elm Hills' Application and subsequent to finalization of this current CCN case. Staff and Elm Hills also anticipate similar work regarding Elm Hills' water tariff, because it is outdated as well. Neither a complete replacement sewer tariff nor a complete replacement water tariff are critical to resolution of this current CCN case.

## **STAFF'S FINDINGS & CONCLUSIONS**

In the Application, Elm Hills requests the Commission grant a CCN to operate as a sewer utility in the proposed Rainbow Acres and the Twin Oaks/Preserve service areas. Staff recommends Elm Hills be granted such a CCN, subject to Staff's proposed conditions. Further, Elm Hills will need to hold a CCN, with appropriate tariff sheets in effect, when it closes and acquires the involved utility assets and actually begins providing service to customers in the new proposed service areas. Staff therefore recommends that the Commission grant Elm Hills such a CCN, and require Elm Hills to submit revised tariff sheets, as described herein for service area boundaries, rates, and new pressure sewer rules, to become effective before closing on the assets. Elm Hills may then exercise its expanded authority to provide sewer service immediately upon its acquisition of the involved sewer systems.

Staff recommends that the Commission approve rates for Elm Hills for these proposed service areas that are based on adopting existing rates, as described above in this memorandum. Staff also recommends that Elm Hills file a rate case within two (2) years of closing on the Twin Oaks/Preserve service area with a specific goal of establishing individual customer rates for that service area, and that Elm Hills inform customers of this plan

If the transfer of either system does not take place within thirty (30) days after the effective date of a Commission order granting the CCN, then Elm Hills should submit a status report within five (5) days following that period of time regarding closing, as well as further status reports within five (5) days of each thirty (30) day period following that, as necessary. In the event that Elm Hills determines that closing of either or both systems will not take place at all, then Elm Hills should notify the Commission of such, at which time the CCN issued to Elm Hills may need to be modified, or either canceled or deemed null and void, as appropriate, with related tariff modifications as may also be necessary.

## **STAFF'S RECOMMENDATIONS**

Based upon the above, Staff recommends that the Commission:

1. Grant Elm Hills a CCN to provide sewer service in the proposed Rainbow Acres and in the proposed Twin Oaks/Preserve service areas as described in the Application and modified in this memorandum;
2. Authorize Elm Hills to file new tariff sheets in its sewer tariff showing a service area map and written description for Rainbow Acres and for Twin Oaks/Preserve to become effective prior to Elm Hills closing on the assets;
3. Require Elm Hills to file new rate sheets in its sewer tariff, to reflect a monthly flat rate of \$15 applicable to each of the Rainbow Acres residential customers, and a flat rate of \$140 per month applicable to the homeowners association in Twin Oaks/Preserve, to become effective prior to Elm Hills closing on the assets;

4. Require Elm Hills to file a revised tariff sheet in its sewer tariff, applying existing service charges to Rainbow Acres and to Twin Oaks/Preserve;
5. Require Elm Hills to file new tariff sheets outlining rules for pressure sewers and pump units, applicable to customers in Twin Oaks/Preserve, to become effective prior to Elm Hills closing on the Twin Oaks/Preserve assets;
6. Require Elm Hills to notify the Commission of closing on the Rainbow Acres and Twin Oaks/Preserve assets within five (5) days after such closing on any of the respective assets;
7. If closing on any of the assets does not take place within thirty (30) days following the effective date of the Commission's order, require Elm Hills to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing on the respective assets, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Elm Hills determines that a sale of any of the respective assets will not occur;
8. If Elm Hills determines that a sale of any of the respective assets will not occur, require Elm Hills to notify the Commission of such, after which time the Commission may modify, cancel, or deem null and void, the CCN issued to Elm Hills for the specific service area, and require any necessary and appropriate tariff filing action;
9. Require Elm Hills to file a rate case within two (2) years of its closing date on the Twin Oaks/Preserve assets;
10. Require Elm Hills to utilize its existing sewer depreciation rates for the Rainbow Acres and Twin Oaks/Preserve utility assets;
11. Require Elm Hills to continue to keep all of its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
12. Require Elm Hills to provide the CXD Staff a sample of ten (10) billing statements issued to its customers. These should be submitted within thirty (30) days of the first billing sent to customers in Rainbow Acres and Twin Oaks/Preserve;
13. Require Elm Hills to distribute to all residential sewer customers in Rainbow Acres and Twin Oaks/Preserve an informational brochure detailing the rights and responsibilities of the utility and its customers, consistent with the requirements of Commission Rule 4 CSR 240-13.040(3), within ten (10) days of closing on the assets;
14. Require Elm Hills to provide an example of its communication efforts with the Rainbow Acres and Twin Oaks/Preserve customers regarding its acquisition of the systems and methods by which customers can contact Elm Hills, within ten (10) days

after closing on the assets. The version of the communication sent to customers in the Twin Oaks/Preserve service area should also state that when Elm Hills seeks a rate increase with the Commission, which could happen within two (2) years, it intends to propose a new rate applicable to individual customers. And if and when such a rate is approved, then instead of their homeowners association paying sewer system expenses, customers would individually receive sewer bills similar to bills that other sewer customers receive, and they will be responsible for payment of such bills;

15. Require Elm Hills to submit a notice in the case file regarding completion of sending the above-recommended bill examples, customer informational brochure, and revised contact information, resulting from these transfers of assets; and,
16. Make no finding of the value of this transaction for ratemaking purposes, and make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded these financing transactions or any other matters pertaining to approval of this transfer of assets and the granting of a CCN to Elm Hills, including expenditures incurred related to sewer systems in the certificated service areas, in any later proceeding.

Staff will file a further recommendation regarding approval of the tariff sheets to be submitted in accordance with the Commission's order should it grant approval of the new CCNs.

Attachments:

- A. Modified Map of Rainbow Acres Service Area
- B. Modified Metes and Bounds Description of Rainbow Acres Service Area

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Operating Company, Inc. for a Certificate of             )     **File No. SA-2018-0313**  
Convenience and Necessity                                     )

**AFFIDAVIT OF JAMES A. MERCIEL, JR.**

State of Missouri     )  
                                   ) ss.  
County of Cole        )

**COMES NOW** James A. Merciel, Jr. and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Recommendation; and that the same is true and correct according to his best knowledge and belief.

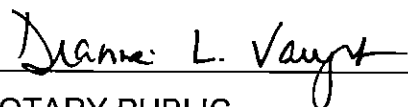
Further the Affiant sayeth not.

  
\_\_\_\_\_  
James A. Merciel, Jr.

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 27<sup>th</sup> day of July, 2018.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377
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\_\_\_\_\_  
NOTARY PUBLIC

**BEFORE THE PUBLIC SERVICE COMMISSION  
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In The Matter of the Application of Elm Hills Utility     )  
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**AFFIDAVIT OF DAVID C. ROOS**

State of Missouri     )  
                                   ) ss.  
County of Cole        )

**COMES NOW** David C. Roos and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Recommendation; and that the same is true and correct according to his best knowledge and belief.

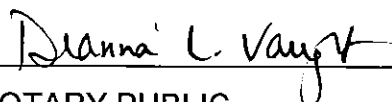
Further the Affiant sayeth not.

  
\_\_\_\_\_  
David C. Roos

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26<sup>th</sup> day of July, 2018.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2019  
Commission Number: 15207377

  
\_\_\_\_\_  
NOTARY PUBLIC



**BEFORE THE PUBLIC SERVICE COMMISSION  
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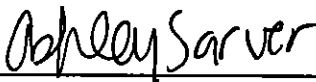
In The Matter of the Application of Elm Hills Utility     )  
Operating Company, Inc. for a Certificate of             )  
Convenience and Necessity                                     )     File No. SA-2018-0313

**AFFIDAVIT OF ASHLEY SARVER**

State of Missouri     )  
                                   ) ss.  
County of Cole     )

**COMES NOW** Ashley Sarver and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Recommendation; and that the same is true and correct according to her best knowledge and belief.

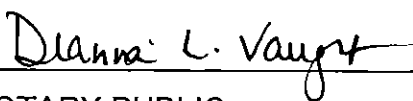
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Ashley Sarver

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of July, 2018.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2019  
Commission Number: 15207377

  
\_\_\_\_\_  
NOTARY PUBLIC

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

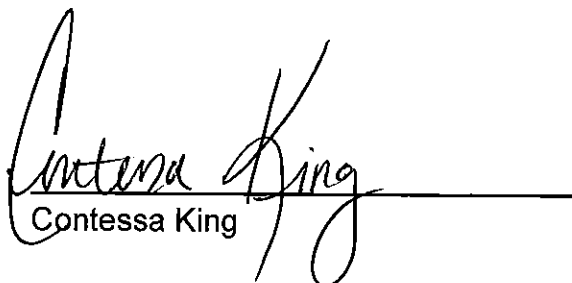
In The Matter of the Application of Elm Hills Utility     )  
Operating Company, Inc. for a Certificate of             )  
Convenience and Necessity                                     )     File No. SA-2018-0313

**AFFIDAVIT OF CONTESSA KING**

State of Missouri     )  
                                   ) ss.  
County of Cole     )

**COMES NOW** Contessa King and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Recommendation; and that the same is true and correct according to her best knowledge and belief.

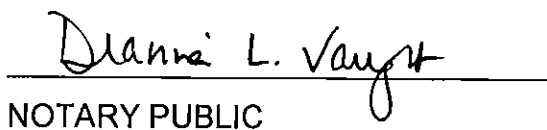
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Contessa King

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of July, 2018.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377
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\_\_\_\_\_  
NOTARY PUBLIC

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

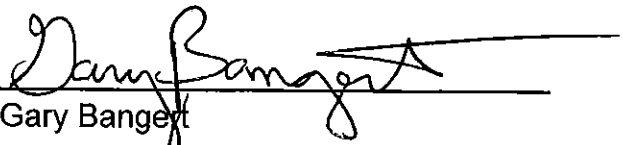
In The Matter of the Application of Elm Hills Utility     )  
Operating Company, Inc. for a Certificate of             )     **File No. SA-2018-0313**  
Convenience and Necessity                                     )

**AFFIDAVIT OF GARY BANGERT**

State of Missouri     )  
                                   ) ss.  
County of Cole     )

**COMES NOW** Gary Bangert and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Recommendation; and that the same is true and correct according to his best knowledge and belief.

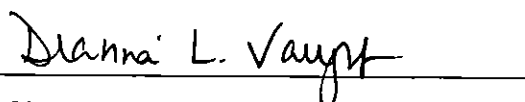
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Gary Bangert

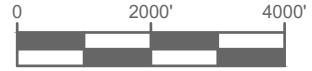
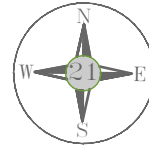
**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 30<sup>th</sup> day of July, 2018.

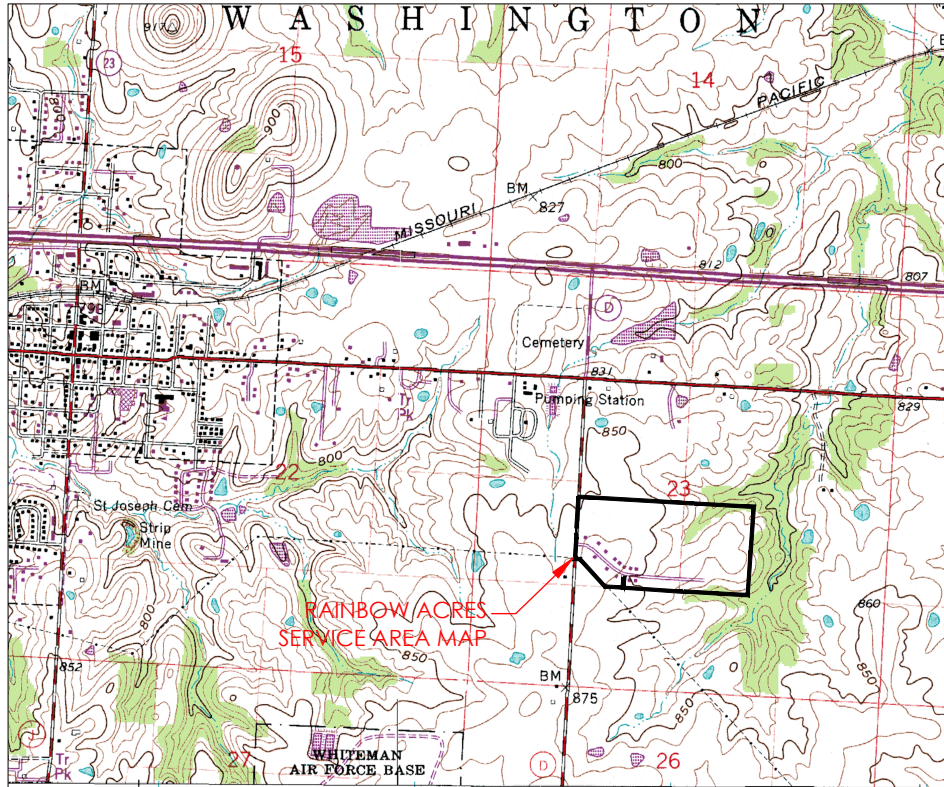
DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377
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\_\_\_\_\_  
NOTARY PUBLIC

SERVICE AREA MAP  
FOR RAINBOW ACRES  
KNOB NOSTER, MO  
(KNOB NOSTER QUAD MAP)



SCALE: 1" = 2000'



Revised Rainbow Acres Service Area Description  
Johnson County, Missouri

The service area consists of part of the Southeast Quarter and part of the Southwest Quarter of Section 23, Township 46 North, Range 24 West of the 5<sup>th</sup> P.M., Johnson County, Missouri and being more particularly described as follows:

Beginning at the southeast corner of the Northwest Quarter of the Southeast Quarter thence N87°37'41"W 952.35 feet; thence S3°58'30"W 3.29 feet; thence N87°07'20"W 910.02 feet; thence N3°58'30"E 150.00 feet; thence N87°07'20"W 10.00 feet; thence S3°58'30"W 150.00 feet; thence N87°07'20"W 268.70 feet; thence N43°07'20"W 550.10 feet; thence N87°12'00"W 75.10 feet to the east right-of-way line of Missouri Route "D"; thence along said east right-of-way line N2°57'20"E 313.89 feet; thence N0°54'20"W 150.33 feet; thence N2°57'20"E 466.12 feet; thence leaving said east right-of-way line S87°35'05"E 2625.11 feet; thence S3°04'05"W 1321.55 feet to the point of beginning.