



Missouri Public Service Commission

Commissioners

SHEILA LUMPE
Chair

M. DIANNE DRAINER
Vice Chair

CONNIE MURRAY

ROBERT G. SCHEMENAUER

KELVIN L. SIMMONS

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

June 26, 2000

BRIAN D. KINKADE
Executive Director

GORDON L. PERSINGER
Director, Research and Public Affairs

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
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

RE: Case No. SA-2000-417

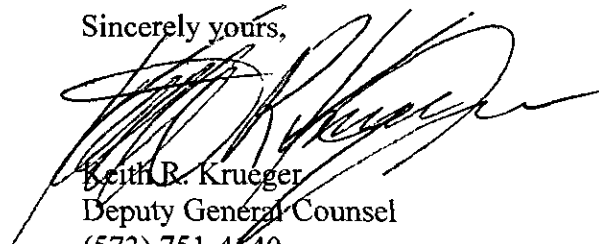
Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

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
(573) 751-4140
(573) 751-9285 (Fax)

Enclosure

cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
JUN 26 2000

Missouri Public
Service Commission

In the Matter of the Application of North)
Oak Sewer District, Inc., for a 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 Warren)
County, Missouri.)

Case No. SA-2000-417

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), and for its recommendation in this case, states to the Missouri Public Service Commission ("Commission") as follows:

1. North Oak Sewer District, Inc. (North Oak) filed an application for a certificate of convenience and necessity authorizing it to provide sewer service to an unincorporated area in Warren County, Missouri, on January 12, 2000.

2. In the attached Memorandum, which is labeled as Appendix A, the Staff recommends that the Commission grant approval of the Application by North Oak for a Certificate of Convenience and Necessity to provide sewer service in an area that includes a subdivision known as North Oak Estates, which is located in an unincorporated area of Warren County, Missouri.

3. The Commission has the authority to issue certificates of convenience and necessity to sewer corporations pursuant to Section 393.170, RSMo, which also establishes the requirements for obtaining the permission and approval of the Commission. Rule 4 CSR 140-2.060 (1) and (4) further describe the requirements that a sewer corporation must meet in order to obtain a

certificate of convenience and necessity, and specifies the documentation that the sewer corporation must provide with its application for certificate of convenience and necessity.

4. The Commission has articulated the criteria to be used in evaluating applications for certificates of convenience and necessity in *Re Intercon Gas, Inc.*, 30 Mo. P.S.C. (N.S.) 554, 561 (1991), and in *In Re Tartan Energy Company*, 3 Mo. P.S.C. 3d 173, 177. In those two cases, the Commission set forth the following criteria for evaluating applications for certificates of convenience and necessity: 1) there must be a need for the service; (2) the applicant must be qualified to provide the proposed 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.

5. The Staff has thoroughly investigated the Company's Application and believes that North Oak has satisfied the criteria that are described in Paragraphs 3 and 4 hereof, and believes that it is in the public interest to grant the requested certificate to North Oak.

6. Section 393.170.3, RSMo further provides, in part: "The commission may by its order impose such condition or conditions as it may deem reasonable and necessary."

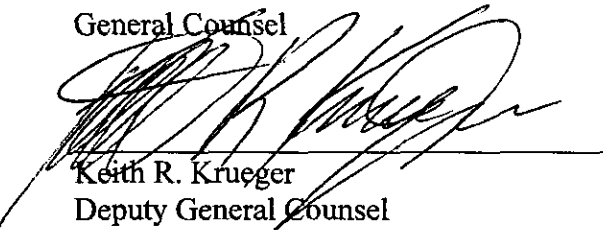
7. In the attached Memorandum, the Staff further recommends that the Commission: approve an agreement between the Staff and North Oak regarding tariff rates and customer classes; direct North Oak to file a tariff that reflects rates and other provisions as approved and ordered by the Commission; direct North Oak to keep its books and records in accordance with the Uniform System of Accounts; direct the Staff to conduct a rate review 24 months after the effective date of the tariff to be submitted by North Oak; direct North Oak to submit to the Staff's Accounting Department a customer count on January 15th and July 15th of each year until the Staff conducts a review of the rates established in this case; and make no finding that would

preclude the Commission from considering the ratemaking treatment to be afforded to North Oak in any future proceeding.

WHEREFORE, the Staff recommends that the Commission issue an order which grants North Oak a certificate of convenience and necessity as requested in the Application, and that it impose upon North Oak the additional conditions that are described in Paragraph 7 hereof.

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 (Fax)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 26th day of June 2000.



M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File
Case No. SA-2000-417; North Oak Sewer District, Inc.

FROM: Dale W. Johansen - Project Coordinator
John Boczkiewicz - Accounting Department
Rosella Schad - Engineering & Management Services Department
Roberta McKiddy - Financial Analysis Department
Jim Merciel - Water & Sewer Department

DW Johansen 6/23/00
Project Coordinator/Date

[Signature] 6/24/00
General Counsel's Office/Date

NW
6/23/00

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

DATE: June 23, 2000

On January 12, 2000, North Oak Sewer District, Inc. (North Oak or Company) submitted an Application for a Certificate of Convenience and Necessity (CCN). The area that North Oak proposes to serve includes a subdivision known as North Oak Estates, which is located in an unincorporated area of Warren County. North Oak took over an existing sewer system in the subdivision. The sewer service currently being provided by that system is unregulated. North Oak recently has constructed a new and larger sewer treatment facility that, along with additional collecting sewers, will allow further development in the subdivision. The Company constructed the new treatment facility in compliance with the requirements of the Missouri Department of Natural Resources (MDNR).

At present, North Oak is providing unpaid sewer service to users in approximately 62 structures. These structures are five single-family residential dwellings 45 mobile home units located in a mobile home park, ten apartment units and two commercial buildings. The mobile home park is actually considered as one customer, as is each apartment building. North Oak expects to expand to provide service to customers in approximately 180 structures by the year 2003.

As a part of this case, the Staff and North Oak have agreed upon customer rates that the Company will submit in a tariff filing once the Commission approves its Application for a CCN. The rates agreed upon between the Staff and North Oak are based upon a customer level of 80% of the anticipated 2003 customer base, and an estimated annual revenue requirement of \$43,500. The estimated revenue requirement is based upon actual capital expenditures and available actual expense information, combined with pro-

forma expenses reflecting the expenses associated with future customers and the expenses associated with becoming a regulated utility.

The rates agreed upon by the Staff and North Oak are as follows:

Type of Customer	Rate
Single-Family Residential	\$30 per month
Commercial	\$30 per month plus \$3.00 per 1,000 gallon water usage over 6,000 gallons per month
Apartment Units and Mobile Homes in Parks	\$26 per month per unit

In addition, since the subdivision already exists and portions of it do not presently have sewers, North Oak will need to construct collecting sewers and receive a contribution-in-aid-of-construction (CIAC) from either customers or from a party selling a lot. As agreed upon by the Company and the Staff, based on immediate needs, the CIAC will be \$2,800 per lot for fourteen (14) single-family residential lots in North Oak Estates and \$3,280 per property for seven (7) properties the Staff and the Company anticipate will be used for commercial purposes or mobile home parks. There would be no need for this CIAC charge for customers connecting to a pre-existing sewer.

Subsequent to Commission approval of its Application, North Oak will need to submit a Schedule of Rates, Rules and Regulations (a tariff) for Commission approval. North Oak will also need to keep its books and records in accordance with the Uniform System of Accounts, as is required of regulated utilities. The Company also will need to keep records regarding the cost of constructing collecting sewers and the CIAC funds that it collects. Depreciation rates for plant in service as recommended by the Staff are similar to the depreciation rates approved for other small sewer utilities, and are shown on Attachment 1.

Since this will be a newly regulated company, the Staff believes that a rate review should be conducted twenty-four (24) months after the effective date of the tariff to evaluate the adequacy of the rates being set in this case and/or to check for possible over-earnings by the Company. Additionally, in order to track the growth of North Oak during the rate review period, and to determine if a modification of the rate review period is appropriate, the Accounting Department requests that a customer count be sent to its St. Louis Office on January 15th and July 15th of each year until a rate review is conducted. This information may be sent directly

to the PSC Accounting Department St. Louis Office, 815 Charter Commons Drive Suite 100B, Chesterfield, MO 63017-0608.

Based upon its investigation of North Oak's Application, its evaluation of the Company's operations and compliance with MDNR requirements, and the terms of the agreements reached between North Oak and the Staff regarding customer rates and CIAC fees, the Staff believes that the Commission should approve North Oak's Application for a CCN. In particular, the Staff believes there is a need for the service that North Oak proposes to provide, that the Company is qualified to provide the proposed service, that the Company has the financial ability to provide the proposed service, that the Company's proposal is economically feasible and that the proposed service will promote the public interest.

As set out at the beginning of this Memorandum, Staff members from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments participated in the Staff's review of the subject Application. All Staff participants, as well as their up-line supervisors, were provided the opportunity to review this Memorandum prior to it being filed. Jim Merciel of the Water & Sewer Department created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein for creation of this final version of the Memorandum.

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

1. Grants a Certificate of Convenience and Necessity to North Oak Sewer District, Inc. to provision sewer service in the service area requested in its Application;
2. Approves the agreement regarding tariff rates and customer classes made by the Staff and North Oak;
3. Directs North Oak to file a tariff that reflects rates and other provisions as approved and ordered by the Commission;
4. Directs North Oak to keep its books and records in accordance with the Uniform System of Accounts, including records of plant operations, all capital investments, CIAC collections and depreciation expenses;
5. Directs the Staff to conduct a rate review twenty-four (24) months after the effective date of the tariff to be submitted by North Oak;

6. Directs North Oak to submit to the Accounting Department's St. Louis Office a customer count on January 15th and July 15th of each year until the Staff conducts a review of the rates established in this case; and
7. 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 CCN, including expenditures related to the certificated service area and/or any other expenditures by North Oak, in any later proceeding.

The Water & Sewer Department Staff will file a further recommendation regarding the tariff to be filed by North Oak.

Attachment 1: Schedule of Depreciation Rates

North Oak Sewer District, Inc.

DEPRECIATION RATES

(SEWER)

Case No. SA-2000-417

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>
311	Structures & Improvements	3.0%
352.1	Collection Sewers (Force)	2.0%
352.2	Collection Sewers (Gravity)	2.0%
353	Other Collection Plant	4.0%
354	Services to Customers	2.0%
355	Flow Measurement Devices	3.3%
362	Receiving Wells & Pump Pits	5.0%
363	Pumping Equipment	10.0%
372	Oxidation Lagoons	4.0%
373	Treatment & Disposal Facilities	4.5%
374	Plant Sewers	4.5%
375	Outfall Sewers	2.0%
376	Other Treatment & Disposal Plant	5.0%
391	Office Furniture & Equipment	5.0%
391.1	Office Computer Equipment	20.0%
392	Transportation Equipment (7 yr ,+ 9% sal	13.0%
393	Other General Equipment	10.0%
394	Tools, Shop, Garage Equipment	5.0%
395	Laboratory Equipment	5.0%
396	Power Operated Equipment	6.7%
397	Communication Equipment	6.7%
398	Miscellaneous Equipment	5.0%

**Service List for
Case No. SA-2000-417
June 26, 2000**

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

Gary W. Duffy/Dean L. Cooper
Brydon, Swearingen & England, P.C.
312 East Capitol Ave., P.O. Box 456
Jefferson City, MO 65102

Jim Vaccaro, President
North Oak Sewer District, Inc.
1801 West North Service Road
Wright City, MO 63390