

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

In the Matter of Lincoln County Utilities Co.'s)
Application to Sell Its Sewer/Treatment)
Facilities to the Public Water Supply District)
No. 1 of Lincoln County, Missouri.)

Case No. SM-2006-0369

STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Status Report states the following to the Missouri Public Service Commission ("Commission"):

1. On March 27, 2006¹, Lincoln County Utilities Co. ("LCU") submitted its Application to the Public Service Commission for the Sale of a Sewer/Treatment Facility ("Application") in which it seeks to sell and transfer its sewer utility assets to Public Water Supply District No. 1 of Lincoln County ("District").

2. On March 31, the Commission issued its **Order Directing Notice and Adding Public Water Supply District No. 1 of Lincoln County, Missouri as a Party**, in which, among other things, it set April 20 as the date by which parties may seek to intervene in the case. No parties sought to intervene by this date, nor have any done so since that date.

3. Also on March 31, the Commission issued its **Order Directing Filing**, in which it directed LCU to serve notice of its application upon certain parties.

4. On April 24, the Commission issued its **Order Directing Staff to File a Recommendation** in which it ordered the Staff to file a recommendation by May 24.

¹ Unless otherwise specified, all dates referenced herein are in the year 2006.

5. On April 27, LCU submitted its Supplemental Pleading and Response to Commission's Order Directing Filing advising the Commission that LCU is now aware it has 'fees due and owing to the Missouri Department of Natural Resources ("DNR"), in addition to supplying information necessary to complete LCU's application. LCU also advised the Commission it has entered into an agreement with the DNR to pay those fees out of closing proceeds at the time of sale.

6. Due to operational issues with LCU's sewer system, LCU, the DNR and the Staff have been working for at least two (2) years toward a resolution of the operational issues, or a sale of the system to another entity that would be in a position to resolve the operational issues. This work has resulted in the proposed transfer of assets in the instant case.

7. Although the District has entered into a contract to acquire LCU's assets, it still needs to finalize its engineering proposals for upgrade of the treatment facility as well as rehabilitation of collection pipelines before it determines rates that it intends to charge customers after the transfer and upgrades occur. The District has informed the Staff that its board of directors has formulated plans to proceed with its engineering work. This includes the selection of an engineering firm to use DNR's water quality information to determine the level of treatment that is necessary at this location, the extent of future sewer development to be considered in sizing an upgraded treatment facility, and determining either the type of upgrades to be made to the existing treatment facility or the type of replacement treatment facility that will be necessary and most economical.

8. The Staff will not be able to study the impact on customers with respect to this proposed transfer of assets until the District's plans are complete. At present the District does not have a projected time frame to complete the engineering proposal, and therefore the Staff is unable, at this time, to determine exactly when a recommendation evaluating this information can be filed.

9. The Staff notes that the "Purchase and Sale Agreement" entered into between LCU and the District, and submitted with the Application, provides for a "Review Period" of 180 days

from March 24, and an "Approval Period" of 365 days after the review period, then a "closing date" within 10 days from the end of the Approval Period. The Staff agrees that, given the situation regarding LCU's sewer system, a significant amount of time will be necessary in order to process this case, and it is not likely that a recommendation will be ready by May 24. Therefore, the Staff proposes that the Commission allow Staff to provide monthly status reports, to be filed on or about the 10th day of each month until a Staff recommendation can be filed.

WHEREFORE, the Staff respectfully requests that the Commission allow the Staff to file monthly status reports, on or about the 10th day of each month, in lieu of the recommendation that is now due on May 24th, until such time that a Staff recommendation can be filed.

Respectfully Submitted,

/s/ Shelley E. Syler

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CERTIFICATE OF SERVICE

I hereby certify that copies of this Response have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 9th day of May 2006.

/s/ Shelley E. Syler