

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

In the Matter of Missouri-American Water Company)
For a Certificate of Convenience and Necessity)
Authorizing it to Install, Own, Acquire, Construct,)
Operate, Control, Manage and Maintain a Sewer)
System in Benton County, Missouri.)

Case No. SA-2015-0065

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and, as directed by the Commission's *Orders* of October 2, 2014, and October 27, 2014, hereby recommends that the Commission **GRANT** the *Application* filed herein by Missouri-American Water Company, subject to the conditions set out in Staff's attached *Memorandum*.

Respectfully submitted,

/s/ Kevin A. Thompson

Kevin A. Thompson
Missouri Bar Number 36288
Chief Staff Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573-751-6514 (Voice)
573-526-6969 (Fax)
kevin.thompson@psc.mo.gov

Attorney for Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, on this **17th Day of November, 2014.**

/s/ Kevin A. Thompson

On September 10, 2014, the Commission issued its *Order Directing Notice and Setting Date for Submission of Intervention Requests*, which directed the Commission's Data Center and Public Information Office to send out notices regarding the Application, and also established the date October 1, 2014 by which interested parties could submit requests to intervene in the case. On September 24, 2014 DNR submitted a request to intervene in this case, which the Commission granted on October 7, 2014. On October 2, 2014 the Commission issued its *Order Directing Filing of Staff Recommendation* in which it ordered Staff to file a recommendation no later than October 30, 2014. October 21, 2014, Staff submitted its *Motion for Extension of Time* in which it requested an extension to December 1, 2014 to file its recommendation. On October 22, 2014 the Commission set October 24, 2014 as a date for other parties to respond to Staff's request. No parties submitted any objection to Staff's request, and on October 27, 2014 the Commission granted Staff's request for extension to December 1, 2014. On November 16, 2014 an individual submitted a *Motion for Out of Time Intervention and, if Necessary, Original Formal Complaint or, in the Alternative, Motion for Leave to Appear and File an Amicus Curiae Brief*.

Because there have been shortcomings with respect to sewer service in the past, disagreement of some citizens regarding both the existence and dissolution of the Sewer District, and significant financial needs for future sewer system operation, Staff submitted on November 4, 2014 a *Motion and Request for Local Public Hearing*, in order for the Commission to receive testimony from members of the public. Staff requested that the local public hearing be held prior to Thanksgiving so that any issues brought up at the hearing can be evaluated and taken into consideration by the parties as quickly as possible. The Commission has ordered that a local public hearing is to be held on Monday, November 24, 2014. As such, Staff reserves the right to file an update to its recommendation if appropriate after the local public hearing.

BACKGROUND OF THE UTILITY SYSTEM

The Sewer District's existing service area consists of a described area of several square miles south of the City of Warsaw. Several subdivisions and undeveloped property are within the service area. The Sewer District presently serves approximately 354 residential and commercial customers. Notably, MAWC already owns and operates a water system in one subdivision within the proposed sewer service area, White Branch, involving about 180 of the Sewer District customers. After approval of the CCN requested in this case, and after MAWC closes on the Sewer District's assets, these existing MAWC water customers will also have sewer service included on their bills from MAWC, whereas other Sewer District customers will become new customers of MAWC and receive bills for sewer service only. Billing issues, and conversion of all of the Sewer District sewer customers to MAWC sewer customers, are addressed elsewhere in the memorandum.

The sewer system consists of mostly pressure collecting sewers, electric-powered grinder pump units that are owned and maintained by the Sewer District on each of the customers' properties although a few pump units serve multiple customers, two central lift stations with electric pumps, and a recirculating sand filter treatment facility with ultraviolet disinfection with a daily flow capacity of

110,000 gallons. The treatment facility is operating at approximately half of its flow capacity; the flowmeter measuring facility effluent is currently out of calibration so exact plant flows are not known. The DNR operating/discharge permit for the treatment facility expired on July 9, 2014, but the Sewer District applied for renewal prior to expiration, and the expired permit remains in effect until a reissued permit becomes effective. Based on information from DNR, the primary factor regarding permit re-issuance involves the pending dissolution of the Sewer District and the potential sale to MAWC. DNR had posted the proposed renewed permit on public notice with no comments received, but DNR does not expect to actually re-issue the permit until after the sale is completed and MAWC submits the paperwork to reflect the change in ownership of the treatment facility. The re-issued permit will involve new ammonia limits to take effect at a future time.

STAFF'S INVESTIGATION

Overview of MAWC

MAWC is a regulated water and sewer utility serving more than 450,000 water customers and more than 4,000 sewer customers throughout the state. It has been in business as a water utility for many decades, and over the years it has acquired some of its systems, both large and small, through various mergers and acquisitions. In recent years MAWC has acquired several existing small water and sewer systems. MAWC is a subsidiary of American Water Works Company, Inc., which owns water companies in other states besides Missouri. Through the parent company, MAWC is affiliated with other companies that undertake some of the tasks associated with utility service, including nationwide bill preparation, and nationwide call centers that take emergency calls and handle billing and other inquiries from customers.

Facility Operations

In addition to improvements that may or may not be necessary for good operations and DNR permit compliance, the Sewer District's sewer system is in need of some repairs and rehabilitation because of deterioration of plant components due to age and corrosive conditions. The Sewer District hired a consultant, Schultz Surveying and Engineering of Poplar Bluff, MO, to identify and prepare estimated costs of repairs and improvements, among other things. The engineering report estimates collection system and lift station work to be \$252,600; treatment facility rehabilitation along with a possible addition of a supplemental treatment stage to address consistent treatment for ammonia limits is estimated to be \$480,000; for a total capital investment representing the cost of repairs and rehabilitation of \$732,600. There would likely be incidental engineering and site work costs in addition to this amount. Again, these costs estimates were prepared by a consultant working for the Sewer District, and are presented here for information only. MAWC acknowledged to Staff that there is a need for some repairs and rehabilitation largely as reflected in the Schultz report, but it expects to undertake its own evaluation of the needs and then formulate a five-year plan to address such capital improvements. There are no specific projects in progress at present, nor contract costs, and no capital funds being presented for proposed inclusion in rates at this time.

MAWC intends to immediately undertake sludge cleanup in the facility septic tanks, and improve sludge handling in order to address plant performance including meeting the future ammonia limits. The Sewer District's contract operator and MAWC both believe that the treatment facility, at its current load, will be able to meet ammonia limits with proper sludge handling. Sludge is a collection of solids that is present in the raw sewage as well as from biological activity in the treatment process. The sludge collects in tanks that are the first stage of the treatment process at the head of the treatment facility. Although removal and management of sludge may be expected to resolve the ammonia treatment issue, it is possible that it will not result in consistent ammonia treatment; in which case additional future action such as construction of supplemental treatment could become necessary, but this question will not be answered without operating experience.

Any such future costs expended by MAWC for repairs, rehabilitation, or enhanced treatment process will be addressed by Staff, for prudence and actual cost, in the context of one or more future rate cases.

Service Area

Staff studied the service area boundary as proposed and filed by MAWC including a field visit to the area. Because the Sewer District's service area is described in part by using subdivision boundaries and property lines that are recorded in the county recorder's office, Staff suggests a modification to the service area boundary that is based on United States Geologic Survey (USGS) sections and landmarks that are on USGS maps. This makes reading of the service area boundary, and map depiction, more easily understood by someone who does not have subdivision survey information from the county recorder. Staff's suggested service area description results in some boundary lines that are slightly relocated from the existing Sewer District's description but does not result in a substantial change in the service area. Staff's suggested service area is shown as a description on Attachment A, and as a map on Attachment B, both included with this memorandum and incorporated herein by reference. MAWC has verbally indicated to Staff its agreement with this modification of proposed service area.

Rate and Tariff Matters

In its Application, MAWC states that for its Benton County operation it proposes to utilize an existing Commission approved tariff that is in place for its sewer operations in Cole, Callaway and Pettis Counties. This would include utilizing existing rates in this tariff currently applicable to its Jefferson City sewer operations in Cole and Callaway Counties. The tariff is published as its sewer tariff No. 10 and is posted in the Commission's Electronic Filing and Information System, or EFIS. Those rates for a residential customer are \$65.22 per month. MAWC represents that the current Sewer District rates are \$84.00 per month for sewer service for a residential customer. A change to MAWC existing rates would thus result in a decrease of 22.36%. Staff agrees this proposal is reasonable.

To accomplish incorporating Benton County into MAWC's operation, Staff recommends that the Commission authorize MAWC to submit new or revised tariff sheets for its existing sewer tariff No. 10 as follows:

- Adoption Notice No. 2 revised to include Benton County;
- 3rd Revised Sheet No. Title Page – revise with the Company's name, and state that it is for Cole and Callaway Counties (Jefferson City), Pettis County, and Benton County;
- Original Sheet No. SL18 describing the Benton County service area with a written description;
- Original Sheet No. SM5 depicting the Benton County service area with a map;
- 6th Revised Sheet No. SR1 retaining all existing and sewer rates, but applying the rates, noted at the top notation, to the "Jefferson City Area" as at present and adding applicability to the "Benton County" service area;
- Modifications to rule text on approximately nine (9) tariff sheets, which modifications address the fact that grinder pump units in Benton County are installed, owned and maintained by the Company, which is a departure from practice in other service areas covered by MAWC's Tariff No. 10.

Staff will offer to assist MAWC with preparation of appropriate tariff sheets, and finalization for filing, if desired.

TECHNICAL, MANAGERIAL, AND FINANCIAL CAPACITY

DNR reviews new proposed water system operations using, among other criteria, determination of technical, managerial and financial capacities of the operation, or "TMF." These review criteria points were developed by the United States Environmental Protection Agency. Although utilized by DNR for new water systems, Staff finds the concepts of TMF useful in studying some situations involving existing water and/or sewer systems as well. Staff's TMF review, as related to MAWC's proposed Benton County service area, is as follows:

Technical Capacity

MAWC, along with its affiliates, has experience in the design, operations and upgrades of water and sewer systems, both large and small. MAWC has a staff of professional operators, engineers, technicians, accountants and customer service specialists, including those within various supervisory levels, to undertake utility operations, and also has access to professional staff personnel of its affiliates. MAWC also utilizes contractors for various tasks primarily for extraordinary work or to supplement in-house work during unusually heavy workload times. The Benton County service area

is within reasonable working proximity to other systems owned and operated by MAWC; specifically, as noted above an existing MAWC water system serving 180 customers within the service area, and also a water and sewer system approximately 40 (forty) miles away serving a development near Sedalia in Pettis County. MAWC has demonstrated, over many years, its ability to operate water and sewer systems on a continual basis from a technical capacity perspective.

Further, based on experience and observation with other systems, Staff takes the position that MAWC has the ability to prudently undertake necessary improvements and repairs that may be necessary for the Benton County sewer system.

Managerial Capacity

Similar to its technical capacity, MAWC's staff of professionals, along with staff associated with MAWC's affiliates, provides the ability to undertake facility operations, and handle all aspects of customer service. MAWC has, at most times over the years, demonstrated such ability with other service areas; however, Staff points out that recently MAWC has experienced some issues with certain aspects of services provided to its customers through affiliates, as described elsewhere in this memorandum. MAWC utilizes a nationwide billing system and utilizes nationwide call centers through affiliates. In order to include the Benton County customers into its billing and customer service systems, it will be necessary for MAWC, along with its affiliates, to properly enter the existing Sewer District customer account information into its billing system and to accurately apply appropriate approved rates. Also, it will be necessary for MAWC or an affiliate to provide updated information to the call center personnel, and training as necessary, regarding rates and rules applicable to the Benton County customers to ensure that billings are accurate and customer service matters are handled accurately and properly.

Financial Capacity

The Auditing Unit and Engineering and Management Services Unit conducted a review of rate base records and expense records for the Sewer District's system. Attachment C, incorporated herein by reference, shows the Sewer District's plant-in-service, depreciation reserve, CIAC and CIAC amortization balances as of December 31, 2014, as estimated by Staff and subject to any necessary capital additions, as a result of equipment failure for example, between the time that this case closes and the end of the year. The estimated rate base as of that date is \$841,326².

The purchase price, as specified in the Asset Purchase Agreement (APA), included with MAWC's application as Appendix E, and which was approved by the United States District Court in its order included in MAWC's Application as Appendix F, is \$750,000. According to Staff's calculations, there does not appear to be any acquisition premium resulting from the proposed acquisition, as the

² This rate base number simply reflects Staff's findings in a review, and is presented for information only. There has been no negotiation with other parties who might be interested in a rate base level and who might believe a different number is appropriate. The Staff is not recommending that the Commission make any finding on rate base level in this case.

purchase price being paid by MAWC is less than the net book value, as calculated by Staff for the sewer assets that are being acquired, and less than the rate base amount estimated by Staff. Staff recommends that the rate base ending balances shown in Attachment C to this Memorandum should be the rate base ending balances as of December 31, 2014 (subject to any necessary capital additions between the time that this case closes and the end of the year) to be used by MAWC to reflect the value of the acquired properties on its financial statements as of that date. However, this Staff-recommended balance could be subject to change or modification in future cases, if and when additional information becomes available, and may also be modified due to application of a possible excess capacity adjustment if necessary.

By Commission regulations, MAWC should keep its financial records for utility plant-in-service and operating expenses in accordance with the National Association of Regulatory Utility Commission (NARUC) Uniform System of Accounts. Staff will recommend the Commission specifically require such recordkeeping requirements apply to the Benton County service area.

The Commission's Engineering and Management Services Unit (EMSU) Staff recommends the Commission approve the use of currently-approved sewer depreciation rates that were ordered by the Commission for MAWC in Case No. SR-2011-0338, to be applied to the Benton County utility plant assets acquired from the Sewer District. A copy of the depreciation rate schedule for sewer assets from Case No. SR-2011-0338 is included as Attachment D, and incorporated herein by reference.

CUSTOMER SERVICE AND BILLING ISSUES

In previous CCN or transfer cases where MAWC was acquiring systems and additional customers, Staff either stipulated or recommended that MAWC undertake actions and submit reports to Staff that address a variety of customer service and billing issues. These actions and reports were stipulated or recommended in Case Nos. WM-2001-0309, WR-2003-0500 and WR-2007-0216 in order 1) to ensure transparency to the former customers during the transition period, 2) to ensure the Company's billing information was accurate, 3) to ensure the former customers were being properly billed and 4) to ensure the Company adhered to applicable rules and regulations and its tariffs. The recommended actions for this current case include:

- Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13.020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application;
- Requires MAWC to distribute to Benton County customers, including its existing White Branch water customers, an informational brochure detailing the rights and responsibilities of the utility and its customers, prior to the first billing from MAWC, consistent with the requirements of Commission Rule 4 CSR 240-13(3);
- Requires MAWC to include the Benton County customers along with existing customers for its monthly reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average

Speed of Answer, 3) 1st Call Effectiveness, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing, 7) Call Center Staffing Levels, including job titles and the number of people employed in each category, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated meter reads, 10) the number of consecutive estimated reads and 11) the meter reader staffing levels. The reported information shall include the Benton County customers;

- Requires MAWC to provide adequate training to all customer service representatives prior to the Benton County customers receiving their first bill from MAWC, including White Branch customers receiving sewer billing in addition to existing water billing;
- Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Benton County customers that were issued for greater than thirty-five (35) days of service; and,
- Requires MAWC to provide to the EMSU staff within thirty (30) days after billing, a sample of ten (10) billing statements of its first month bills issued to the Benton County customers, in order to check for accuracy.

In Case No. WC-2014-0138, a complaint filed by the Office of the Public Counsel against MAWC on November 13, 2013 and subsequently consolidated with 25 formal complaints filed by individual customers regarding similar service issues in MAWC's Stonebridge service area, Staff was made aware of customer service and billing issues. There were twenty (20) recommendations made to MAWC in Staff's Report filed March 14, 2014.

Staff wants to ensure that the Benton County customers are accurately billed by MAWC, and for this reason recommends the Commission order MAWC to require these actions and reports to apply to the Benton County service area as well as to MAWC's existing service areas.

THE TARTAN ENERGY CRITERIA

As is customary with most cases involving a new CCN, Staff utilizes criteria similar to that which was studied by the Commission in a past CCN case filed by the Tartan Energy Company, Case No. WA-94-127, to justify granting a CCN, as follows:

Is there a need for service?

Yes, there is a need for service, in that residential customers desire and need sewer service. Additionally, proper improvement, operation and upkeep of the existing sewer system are necessary to ensure that customers will have safe and adequate service, and to maintain compliance with DNR water pollution control regulations.

Is the Company qualified to provide the service?

Yes, MAWC is qualified to provide the service, as is demonstrated by its providing the same or similar service in other areas of Missouri. Staff has determined that MAWC is able to assume operations of the existing system, and is capable of undertaking necessary future improvements for continued operations of the system.

Does the Company have the financial ability to provide the service?

Yes, MAWC has demonstrated that it has sufficient financial resources, and is able to evaluate the costs of alternatives when undertaking operations and capital improvements.

Is the Company's proposal economically feasible?

Yes, the proposal is economically feasible, based on Staff's overall evaluation and MAWC's ability to combine the proposed operation into its existing operations.

Does the Company's proposal promote the public interest?

Yes, MAWC's proposal to acquire the responsibility from current owners and provide future service promotes the public interest.

Could the service be provided by another entity?

Except for the existing Sewer District as the current owner of the sewer system, there are no other entities readily available to provide service. The Sewer District desires that the system be transferred to MAWC.

OTHER ISSUES

MAWC is current on its annual reports through calendar year 2013. MAWC is current on annual assessment payments through the second quarter of FY2015.

MAWC is involved with a number of other pending cases before the Commission, as follows:

- WA-2015-0108 - CCN (Redfield)
- WA-2015-0019 - CCN (Anna Meadows)
- WC-2015-0074 - Formal Complaint (BoClair)
- WO-2015-0059 - Infrastructure System Replacement Surcharge
- WC-2015-0030 - Formal Complaint (Shands)
- WO-2014-0362 - Staff Investigation into the Adequacy of the Call Centers
- WC-2014-0260 - Formal Complaint (City of Houston Lake)
- WC-2014-0161 - Formal Complaint (Smith)
- WC-2014-0138 - Office of the Public Counsel formal complaint on billing matters,
(consolidated with a number of individual formal complaints)

WC-2013-0468 - Formal Complaint (Harter)

Approval of a CCN for the Benton County service area will have no direct impact upon any of the other pending cases, and any action with regard to pending cases would have no direct impact upon approval of a CCN in this case.

CERTIFICATE OF CONVENIENCE AND NECESSITY

MAWC will need to hold a CCN when it closes and acquires the Benton County sewer utility assets, and actually begins providing service to customers. Therefore, Staff recommends that the Commission immediately grant MAWC a CCN, for a service area as modified by Staff, the exercise of which MAWC may begin upon acquisition of the Benton County sewer utility assets. Staff recommends that MAWC be required to notify the Commission within five (5) business days after closing takes place. If such transfer does not take place within thirty (30) days after the effective date of a Commission order approving a CCN, then MAWC should submit a status report within five (5) days following that period of time regarding closing of assets, as well as further status reports within five (5) days of each thirty (30) day period following that are necessary. In the event that MAWC determines that closing will not take place at all and thus it will not be providing service in the Benton County service area, then MAWC shall notify the Commission, at which time the CCN issued to MAWC for the Benton County service area should be canceled or deemed null and void by the Commission.

Staff recommends that MAWC be authorized to file sewer tariff sheets, as described above in this memorandum, regarding service area, rates, service charges, and rule modifications, in its appropriate existing sewer tariff, within thirty (30) days after the effective date of the Commission's order approving a CCN, with 30-day notice. Staff also recommends that service not be provided by MAWC in the Benton County service area until such tariff sheets are in effect, but that MAWC could seek expedited treatment if the closing of assets is expected to occur earlier than filed tariff effective dates. In the event that such tariff sheets are filed and in effect for the Benton County service area, and MAWC subsequently determines that it will not be able to close on the sewer utility assets and will not be providing service in the Benton County service area, then the Commission should require MAWC to file appropriate replacement sheets that remove the Benton County Service Area from the tariff.

STAFF'S FINDINGS & CONCLUSIONS

Staff takes the position that approval of a CCN for MAWC to provide sewer service in the Benton County service area, modified from what was filed in the Application as agreed between MAWC and Staff, is in the public interest. The current owner of the assets, the Sewer District, wishes to transfer the assets to MAWC, and MAWC has adequate technical, managerial, and financial capacity to operate and maintain the facilities and provide service to customers.

STAFF'S RECOMMENDATIONS

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

- a. Approves the CCN for MAWC to provide sewer service, under conditions as described within this memorandum and following;
- b. Requires MAWC to notify the Commission of closing of the assets within five (5) days after such closing;
- c. Authorizes MAWC to submit new tariff sheets, within thirty (30) days of the effective date of an order approving the CCN, as 30-day filings, for its existing sewer tariff No. 10, depicting the Benton County service area with a written description that is consistent with that as shown by Attachment A, a map consistent with that as shown by Attachment B, a revised Sheet SR1 to add applicability of existing rates to Benton County, and rule changes to address installation, ownership and maintenance of pump units.;
- d. If closing does not take place within thirty (30) days following the effective date of the Commission's order, require MAWC to submit a status report within five (5) days after this 30-day period regarding the status of closing, and additional status reports within five (5) days after each additional 30-day period, until closing takes place, or until MAWC determines that closing will not occur;
- e. Requires MAWC, if it determines that closing will not occur, to notify the Commission of such, after which time the Commission may cancel, or deem null and void, the CCN issued to MAWC, and order replacement of any tariff sheets specific to the Benton County service area that may have become effective;
- f. Authorizes MAWC to utilize and apply depreciation rates as shown in Attachment D;
- g. Requires MAWC to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- h. Requires MAWC to keep operations records including those for customer complaints/inquiries, meter placement and replacement/testing, vehicle, equipment and telephone use records, and customer account records;
- i. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the subject Certificate, including expenditures related to the certificated service area, in any later proceeding;
- j. Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13,020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application;

- k. Requires MAWC to distribute to Benton County customers an informational brochure detailing the rights and responsibilities of the utility and its customers, prior to the first billing from MAWC, consistent with the requirements of Commission Rule 4 CSR 240-13(3);
- l. Requires MAWC to include the Benton County customers along with existing customers for its reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness and 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing and 7) Call Center Staffing Levels, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated meter reads, 10) the number of consecutive estimated reads, and 11) the meter reader staffing levels;
- m. Requires MAWC to provide adequate training to all customer service representatives prior to the Benton County customers receiving their first bill for sewer service from MAWC;
- n. Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Benton County customers that were issued for greater than thirty-five (35) days of service; and,
- o. Requires MAWC to provide to the EMSU staff within thirty (30) days after billing a sample of ten (10) billing statements of its first month bills issued to the Benton County customers.

Staff will file a further recommendation regarding approval of the tariff sheets that MAWC will be submitting in accordance with the Commission's order granting the CCN.

List of Attachments:

- Attachment A – Staff Proposed Written Description of Service Area
- Attachment B – Staff Proposed Map of Service Area
- Attachment C – Auditing Unit Plant-in-Service Balances
- Attachment D – Depreciation Accrual Rates for Sewer Plant

SA-2015-0065

Attachment A

Staff Proposed Service Area Description

SA-2015-0065

Benton County suggested revised service area description -merciel rev 10/30

An alternative could include repeating appropriate portions of descriptions of subdivisions and the school property, instead of modification based on USGS mapping.

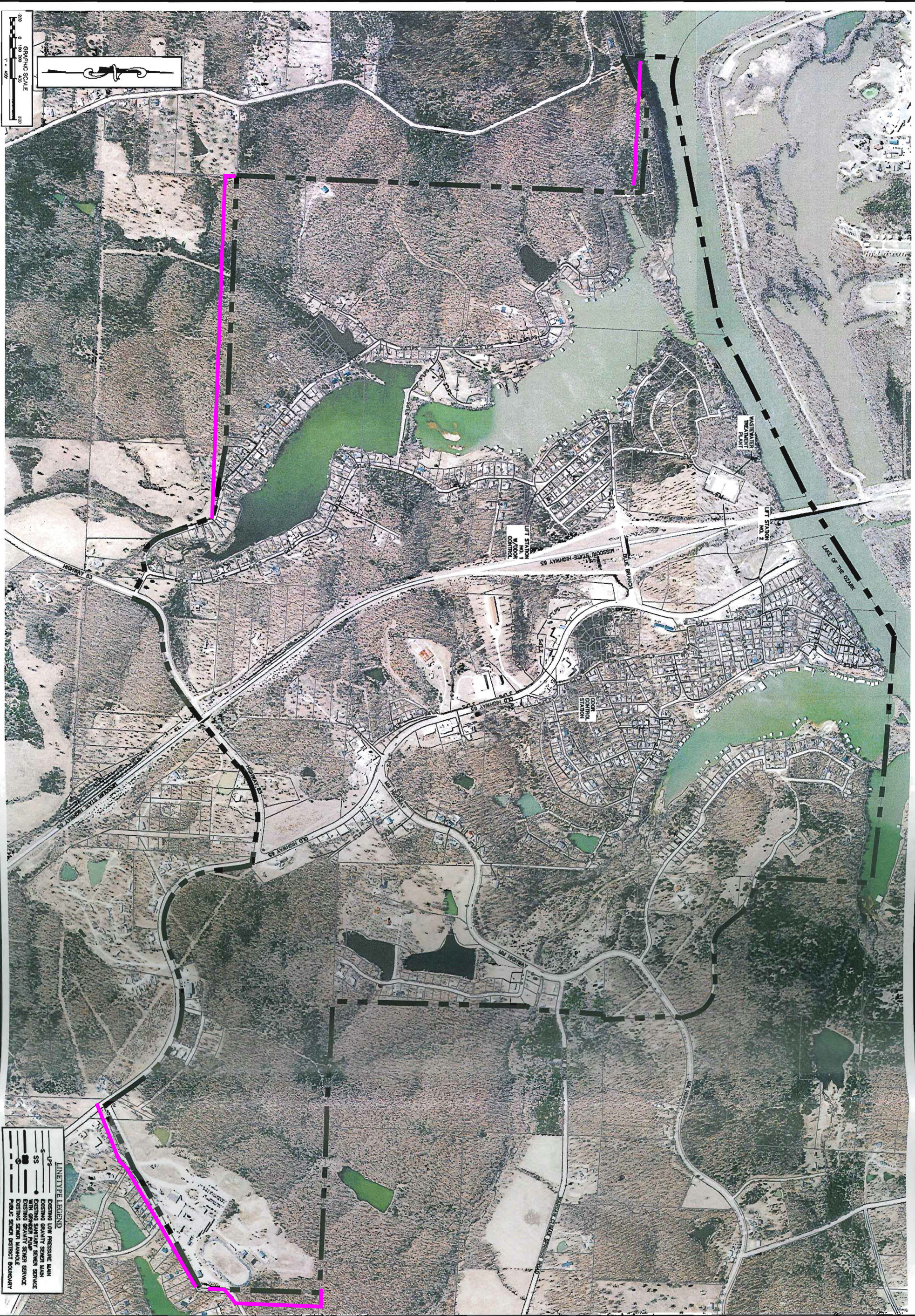
Will be on newly created Original Tariff Sheet SL18

Commencing at the common corner to Sections 15, 16, 21, 22, Township 40 North, Range 22 West; thence South along the East line of Section 21 to a point at the centerline of the Osage River, said point being the Point of Beginning; Thence Southwesterly along the centerline of the Osage River to a point on the West line of Section 21, Township 40 North, Range 22 West; thence South along said section line a distance of 300 feet; thence East parallel to the South line of said Section 21 to a point that is on the West line of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 21; thence South along the quarter-quarter section line to the South line of Section 21; thence continuing South along the quarter-quarter section line of Section 28 Township 40 North, Range 23 West a distance of 1,400 feet; thence East parallel to the North line of said Section 28 to a point that is on the South R.O.W of Branch Avenue; thence Southeasterly along said R.O.W. to a point on the Easterly prolongation of said R.O.W. to the South R.O.W. of State Highway 83; thence Northeasterly along said R.O.W. to a point on the intersection with the South R.O.W. of Old State U.S. Highway 65, a.k.a. State Highway MM; thence Southeasterly along said R.O.W. to the intersection of said R.O.W. with the Southwesterly prolongation of the centerline of Village Drive in the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 22, Township 40 North, Range 22 West; thence Northeasterly along said centerline of Village Drive a distance of 2,600 feet to a point that is in the Northwest $\frac{1}{4}$ of Section 26, Township 40 North, Range 22 West; thence North parallel with the West line of said Section 26 to a point on the North line of Section 26, Township 40 North, Range 22 West; thence West along said section line to the Southwest corner of the Southeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 22, Township 40 North, Range 22 West to a point on the North R.O.W. of State Highway MM; thence Northeasterly along said R.O.W. to a point at the intersection of the North R.O.W. of State Highway MM and the North R.O.W. of High Drive, a.k.a. Eagle Ridge Drive; thence Northwesterly along the North R.O.W. of High Drive to a point on the West line of the Northeast $\frac{1}{4}$ of Section 22, Township 40 North, Range 22 West; thence North along said line to the North line of said section 22; thence West along the North line of said section 22 to the centerline of the Osage River; thence Southwesterly along said centerline to the Point of Beginning.

SA-2015-0065

Attachment B

Staff Proposed Service Area Map



LINE TYPE LEGEND

| | |
|-----|---------------------------------|
| --- | EXISTING LOW PRESSURE MAIN |
| --- | EXISTING QUANTITY SEWER MAIN |
| --- | EXISTING QUANTITY SEWER SERVICE |
| --- | EXISTING QUANTITY SEWER SERVICE |
| --- | EXISTING SEWER MANHOLE |
| --- | PUBLIC SEWER DISTRICT BOUNDARY |

| | |
|----------------------------|-------------------|
| EXISTING SYSTEM LAYOUT MAP | |
| 11-14-2012 | AutoCAD Civil 3D |
| Designed by: BDA | Surveyed by: N/A |
| Checked by: BDA | Drawn by: BSB |
| Project #: 002648 | Sheet Size: 24X36 |
| File: J015.DWG | |

**SEWER SYSTEM IMPROVEMENT PLANS
BENTON COUNTY SEWER DISTRICT #1**

BENTON COUNTY, MISSOURI

SSE
Schultz Surveying & Engineering
www.schultzengineering.com

Southeast Missouri Office - (573) 686-0806
Doniphan Office - (573) 996-4447
Lake of the Ozarks Office - (573) 365-2003
Branson Office - (417) 337-8820

| | |
|------------|--|
| Revisions: | |
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| | |
| | |
| | |

STATE OF MISSOURI
REGISTERED PROFESSIONAL ENGINEER
STANLEY J. SCHULTZ, P.E.
NO. E-27154
MO. E-27154

SM-2015-0014

Attachment C

Auditing Rate Base Schedule

Benton County Sewer

SA-2015-0065

Rate Base

Source: MAWC Asset List, Project Ledgers and Depreciation Unit Workpapers

Rate Base

As of 12-31-2014

Sewer

| | |
|-------------------------------------|----------------|
| Plant in Service | 3,751,811 |
| Reserve | (2,083,817) |
| Contribution in Aid of Construction | (2,066,776) |
| CIAC Amortization | 1,240,108 |
| Materials & Supplies | <u>-</u> |
| Net Rate Base | 841,326 |
| Total Net Rate Base | 841,326 |

Note: Plant, Reserve, CIAC & CIAC Amortization Account Ending Balance reconciliation included in Art Rice's Benton County Model -Rice 10 Revised 10-28-2014 final document.

SM-2015-0014

Attachment D

Schedule of Sewer Depreciation Rates

**MISSOURI AMERICAN WATER COMPANY- Sewer
SCHEDULE of DEPRECIATION RATES Case SA-2015-0065**

DIVISIONS: All, Original Commission Order for Case No. SR-2011-0338

| <u>NARUC ACCOUNT NUMBER</u> | <u>ACCOUNT DESCRIPTION</u> | <u>% DEPRECIATION RATE</u> | <u>AVERAGE SERVICE LIFE (YEARS)</u> | <u>Curves</u> | <u>% NET SALVAGE</u> |
|---------------------------------------|--|------------------------------------|---|---------------|--------------------------|
| COLLECTION PLANT | | | | | |
| 351 | Structures & Improvements | 2.50 | 50 | | -25 |
| 352.1 | Collection Sewers (Force) | 2.00 | 50 | | 0 |
| 352.2 | Collection Sewers (Gravity) | 2.00 | 50 | | 0 |
| 353 | Services To Customers | 2.00 | 50 | | 0 |
| 354 | Flow Measuring Devices | 3.33 | 30 | | 0 |
| 356 | Other Collection Equipment | 2.00 | 50 | | 0 |
| PUMPING PLANT | | | | | |
| 361 | Structures & Improvements | 2.50 | 50 | | -25 |
| 362 | Receiving Wells | 4.00 | 25 | | 0 |
| 363 | Electric Pumping Equip, (Includes Generators) | 10.00 | 10 | | 0 |
| 364 | Diesel Pumping Equipment | 10.00 | 10 | | 0 |
| 365 | Other Pumping Equipment | 10.00 | 10 | | 0 |
| TREATMENT & DISPOSAL PLANT | | | | | |
| 371 | Structures & Improvements Treatment & Disposal Equipment, | 2.50 | 50 | | -25 |
| 372 | (Includes pumps, blowers, generators) | 5.00 | 26 | | -30 |
| 373 | Plant Sewers | 2.00 | 50 | | 0 |
| 374 | Outfall Sewer Lines | 2.00 | 50 | | 0 |
| General Plant | | | | | |
| 390.0 | Structures & Improve - Shop & Garage | 2.40 | 50 | R3 | -20 |
| 390.9 | Structures & Improve - Leasehold | 5.00 | 20 | R4 | 0 |
| 391.0 | Office Furniture | 5.00 | 20 | | 0 |
| 391.1 | Computer & Peripheral Equipment | 20.00 | 5 | | 0 |
| 391.2 | Computer Hardware & Software | 20.00 | 5 | | 0 |
| 391.3 | Other Office Equipment | 6.67 | 15 | | 0 |
| 391.4 | BTS Initial Investment | 5.00 | 20 | | 0 |
| 392.1 | Transportation Equipment - Light trucks | 11.25 | 8 | L1.5 | 10 |
| 392.2 | Transportation Equipment - Heavy trucks | 10.00 | 9 | L2 | 10 |
| 392.3 | Transportation Equipment - Autos | 18.00 | 5 | L2 | 10 |
| 392.4 | Transportation Equipment - Other | 5.67 | 15 | S2.5 | 15 |
| 393.0 | Stores Equipment | 4.00 | 25 | | 0 |
| 394.0 | Tools, Shop, Garage Equipment | 5.00 | 20 | | 0 |
| 395.0 | Laboratory Equipment | 6.67 | 15 | | 0 |
| 396.0 | Power Operated Equipment | 7.73 | 11 | L1.5 | 15 |
| 397.1 | Communication Equip - Non Telephone | 6.67 | 15 | | 0 |
| 397.2 | Communication Equip - Telephone | 10.00 | 10 | | 0 |
| 398.0 | Miscellaneous Equip | 6.67 | 15 | | 0 |
| 399.0 | Other Tangible Equipment | 5.00 | 20 | | 0 |

Reviewed, 10/30/2014. The above schedule is a copy of the Commission ordered depreciation rates for Case No. SR-2011-0338. The General Plant account depreciation rates were derived from a depreciation study for all Missouri American water and sewer assets. The specific sewer plant asset depreciation rates are Staff's standard small company depreciation rates for sewer companies.

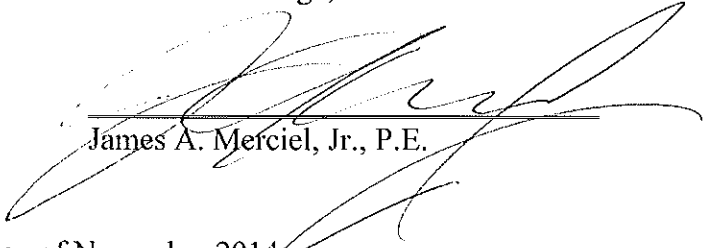
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience and)
Necessity Authorizing it to Install, Own,) File No. SA-2015-0065
Acquire, Construct, Operate, Control, Manage)
and Maintain a Sewer System in Benton)
County, Missouri.)


AFFIDAVIT OF JAMES A. MERCIEL, JR., P.E.

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Merciel, Jr., P.E., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Unit of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff's Recommendation*, in memorandum form; (3) that certain information in the *Staff Recommendation* was provided by him; (4) that he has knowledge of matters set forth in the *Staff Recommendation*; and (5) that such matters set forth in the *Staff Recommendation* are true and correct to the best of his knowledge, information and belief.


James A. Merciel, Jr., P.E.

Subscribed and sworn to before me this 17th day of November 2014.



Notary Public

| |
|--|
| LAURA BLOCH Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 21, 2015 Commission Number: 11203914 |
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BEFORE THE PUBLIC SERVICE COMMISSION

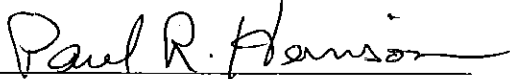
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. SA-2015-0065
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain a Sewer System in)
Benton County, Missouri)

AFFIDAVIT OF PAUL R. HARRISON


STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Paul R. Harrison, of lawful age, on his oath states: that he has 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 developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.


Paul R. Harrison

Subscribed and sworn to before me this 17th day of November, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public

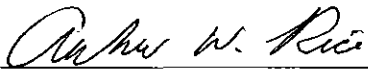
BEFORE THE PUBLIC SERVICE COMMISSION
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Benton County, Missouri)

AFFIDAVIT OF ARTHUR W. RICE, P.E.

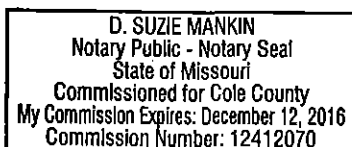
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

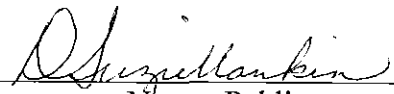
Arthur W. Rice, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth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



Arthur W. Rice, P.E.

Subscribed and sworn to before me this 17th day of November, 2014.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. SA-2015-0065
and Necessity Authorizing it to Install, Own,)
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Benton County, Missouri)

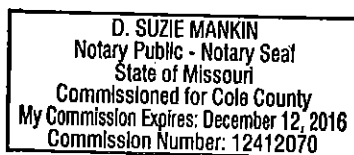
AFFIDAVIT OF J. KAY NIEMEIER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

J. Kay Niemeier, of lawful age, on her oath states: that she has 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 developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

J. Kay Niemeier
J. Kay Niemeier

Subscribed and sworn to before me this 17th day of November, 2014.



D. Suzie Mankin
Notary Public