

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 14th day
of April, 2015.

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 and Around)
the City of Arnold, Missouri)

File NO. SA-2015-0150

**ORDER APPROVING APPLICATION
FOR CERTIFICATE OF CONVENIENCE AND NECESSITY**

Issue Date: April 14, 2015

Effective Date: April 24, 2015

Background

Through this application, Missouri-American Water Company seeks to provide sewer service in the city of Arnold, Missouri and the surrounding area. Missouri-American informs the Commission that voters in Arnold approved the transfer of the city's wastewater system to Missouri-American. As a result, the company and the city entered into an Asset Purchase Agreement for \$13 million and the assumption of \$8 million in debt. Missouri-American also states that it intends to invest \$5 million in upgrades to ensure that the sewer system is compliant with applicable law. The system serves 9,296 customers in and around Arnold. The company states that it will provide service at the current rates and use the rules currently approved for Cedar Hill, Missouri.

The Commission issued notice of the application, inviting requests to intervene. Only the Missouri Department of Natural Resources sought and was granted intervention.

Staff Recommendation

The Staff of the Commission filed a Recommendation on April 1, 2015. The Department of Natural Resources did not file a statement with regard to the application nor did it respond to Staff's Recommendation. Staff opines that granting the certificate to Missouri-American would not be detrimental to the public interest. Staff also states: (1) that there is a need for the service; (2) that Missouri-American is qualified to provide the service; (3) that Missouri-American has the financial ability to provide the service; (4) that the company's proposal is economically feasible; and, (5) that except for the city as the current owner of the sewer system, there are no other entities readily available to provide service.

Finally, Staff recommends that the Commission approve the application with the following conditions:

- a. That Missouri-American notify the Commission of the closing of the assets within 5 days after the closing.
- b. That Missouri-American submit a complete new tariff as described in Staff's Memorandum no later than 30 days following the effective date of an order approving the certificate, as a 30-day filing, to become effective prior to closing on the assets, to become Missouri-American's sewer tariff No. 21, depicting the Arnold Service Area with a map similar to Attachment A to Staff's Memorandum; a finalized written description to be late-filed that will describe the area shown in Attachment A, Attachment B being a draft example of such a description; monthly rates as described in Staff's Memorandum; service charges consistent with those of other Missouri-American sewer service areas; and, rules for

- providing sewer service consistent with Commission regulations and current practice.
- c. If closing does not take place within 30 days following the effective date of the Commission's order, Missouri-American shall submit a status report within 5 days after the 30-day period regarding the status of closing, and additional status reports within 5 days after each additional 30-day period, until closing takes place or until Missouri-American determines that closing will not occur.
 - d. If it determines that closing will not occur, Missouri-American shall notify the Commission of such.
 - e. Missouri-American is authorized to apply the depreciation rates as shown in Attachment H to Staff's Memorandum.
 - f. Missouri-American shall keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts.
 - g. Missouri-American shall keep operation records including those for customer complaint/inquiries, meter placement and replacement/testing, vehicle equipment and telephone use records, and customer account records.
 - h. Missouri-American shall 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 30 days of the Commission's order approving the application.
 - i. Consistent with Commission rule 4 CSR 240-13(3), Missouri-American shall distribute to each customer in the Arnold Service Area an informational brochure

- detailing the rights and responsibilities of the utility and its customers, prior to the first billing from Missouri-American.
- j. Missouri-American shall include the Arnold Service Area 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, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing, 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 staff levels.
 - k. Missouri-American shall provide adequate training to all customer service representatives prior to the Arnold Service Area customers receiving their first bill for service from Missouri-American.
 - l. Missouri-American shall provide to the EMSU staff on a monthly basis a document detailing the bills to Arnold Service Area customers that were issued for greater than 35 days of service.
 - m. Missouri-American shall provide to the EMSU Staff within 30 days after billing a sample of 80 billing statements of residential customers and 10 billing statements of commercial customers of its first month bills issued to the Arnold Service Area customers.

Discussion

The Commission may grant a certificate of convenience and necessity after determining that the construction and operation are either “necessary or convenient for the

public service.”¹ The Commission has stated five criteria that it uses in making this determination:

- 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.²

Based on the verified application and Staff’s recommendation, the Commission finds that these criteria have been met. The Commission therefore concludes that granting the certificate is necessary and convenient for the public service.

The law requires the Commission to make this determination “after due hearing.”³ The requirement for a hearing is met when the opportunity is provided even though no party requests a hearing.⁴ There was no request for an evidentiary hearing. Therefore, in this case, the Commission need not hold an evidentiary hearing to satisfy the “due hearing” requirement.

Decision

Having concluded that granting this certificate is necessary and convenient for the public service, the Commission will grant the requested relief. As recommended by Staff, the Commission will also direct that the conditions set out in Staff’s Memorandum, and listed in the body of this order, be met.

¹ Section 393.170 RSMo.

² *In re Tartan Energy Company*, 3 Mo. P.S.C. 173, 177 (1994).

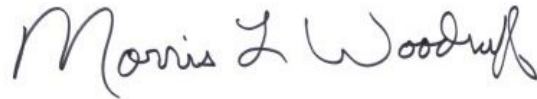
³ Section 393.170.3, RSMo.

⁴ *State ex rel. Deffenderfer Enterprises, Inc. v. Public Service Comm’n of the State of Missouri*, 776 S.W.2d 494 (Mo. App. W.D. 1989).

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company is granted a Certificate of Convenience and Necessity to provide wastewater service in and around Arnold, Missouri, as more particularly described in the Staff of the Commission's Memorandum
2. The authority granted in ordered paragraph 1 is subject to the conditions in the Staff of the Commission's Memorandum and set out in the body of this order.
3. This order shall become effective on April 24, 2015.

BY THE COMMISSION



Morris L. Woodruff
Secretary



R. Kenney, Chm., Stoll, W. Kenney,
Hall, and Rupp, CC., concur.

Jones, Senior Regulatory Law Judge