

**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)	<u>Case No. SM-2006-0369</u>
No. 1 of Lincoln County, Missouri.)	

FIFTH STATUS REPORT

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

1. On May 9, 2006 (unless noted otherwise, all dates herein refer to calendar year 2006), the Staff filed its initial Status Report in this case, in which, among other things, it requested that the Commission allow it to file monthly status reports until such time that the information needed for it to be able to file a recommendation regarding the subject application is available. (The Staff's recommendation was originally due to be filed by May 24.)

2. On May 12, the Commission issued its **Order Directing Staff to File Status Reports** ("May 12 Order"), in which it ordered the Staff to submit monthly status reports on or before the 15th day of each month until such time that a Staff recommendation can be filed, unless otherwise ordered by the Commission.

3. In compliance with the Commission's May 12 Order, the Staff filed its Second Status Report on June 15, its Third Status Report on July 12 and its Fourth Status Report on August 15.

4. In its previous status reports, among procedural items, the Staff has reported that:
- LCU has fees due and owing to the Missouri Department of Natural Resources ("DNR"), and it has entered into an agreement with the DNR to pay those fees out of the closing proceeds at the time of sale.

- Operational issues exist with LCU's sewer system, a resolution of which LCU, DNR and the Staff have been working to accomplish. This proposed transfer of assets would be such a resolution.
- The District needs to finalize engineering proposals for upgrades to, or replacement of, the treatment facility and rehabilitation of the collection pipelines, before it determines appropriate rates applicable to the involved customers after the transfer and upgrades occur. The Staff will not be able to study the impact on customers with respect to this proposed transfer of assets, nor make a recommendation, until the District's plans are complete.
- 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 noted its agreement that a significant amount of time would be necessary in order to process this case.
- DNR created and supplied a water quality report to the District, for the District's use in determining the level of sewage treatment necessary for this particular location.
- After some study, the District began considering undertaking treatment facility upgrades or replacement necessary for the immediate future, and expediting its acquisition of LCU's assets and then planning and undertaking longer-term needs at a later date.

5. For this report, the Staff notes it has been informed that at its most recent board meeting, the District decided to proceed, through its consulting engineer, with evaluating treatment plant upgrades or replacement that will be needed for service to existing customers, plus a relatively small prospective additional area of new development. The Staff notes, as previously, that the engineering work and costs need to be finalized, so that the district can determine its rates, before a final recommendation can be made in this case.

6. Additionally, LCU currently has an unpaid annual assessment for FY 2007 in the amount of \$1,483.48, the first quarterly payment of which is past due. The Staff notes that LCU has at least one other debt, that of fees due to DNR, which LCU stated that it intends to pay from sale proceeds.

WHEREFORE, the Staff respectfully submits this Fifth Status Report for the Commission's information in this case.

Respectfully Submitted,

/s/ Keith R. Krueger

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 (facsimile)
keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of this Fifth Status Report 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 15th day of September 2006.

/s/ Keith R. Krueger