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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

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At a continued hearing of the Public  
Service Commission, held at Jefferson  
City, Missouri, on the 15th day of  
May, . . . . .1979.

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CASE NO. SA-77-167

In the matter of the application of  
MERAMEC SEWER CO. for permission,  
approval, and a certificate of con-  
venience and necessity authorizing  
it to construct, operate and maintain  
a sanitary sewage disposal system in  
a certain designated area in Jefferson  
County, Missouri.

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BEFORE:

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STANLEY A. LORING, Presiding,  
MICHAEL MADSEN,  
HEARING EXAMINERS.

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REPORTED BY:

ROBERT L. STRATMAN

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APPEARANCES:

W. R. ENGLAND, III, Attorney,  
HAWKINS, BRYDON & SWEARENGEN, P.C.,  
P. O. Box 456,  
Jefferson City, Missouri 65102,

FOR: APPLICANT,  
MERAMEC SEWER CO.

L. RUSSELL MITTEN, II,  
Assistant General Counsel,  
Missouri Public Service Commission,  
P. O. Box 360,  
Jefferson City, Missouri 65102,

FOR: STAFF OF THE MISSOURI PUBLIC  
SERVICE COMMISSION.

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PURSUANT to a Notice of the Missouri Public Service Commission, dated the 7th day of February, 1979, entitled, "NOTICE OF CONTINUED HEARING," said Notice provided as follows: "Please take notice that the Public Service Commission of the State of Missouri has set the above-numbered case for further hearing on TUESDAY, the 15TH day of MAY, 1979, at 10:00 A.M., before the Commission in its hearing room on the tenth floor of the Jefferson State Office Building in Jefferson City, Missouri."; at which time, date and place the following proceedings were had:

(Written Entries of Appearance filed.)

(AT THIS TIME APPLICANT'S EXHIBIT NOS. 1, 2 AND 3 WERE MARKED BY THE REPORTER FOR THE PURPOSE OF IDENTIFICATION.)

(At this time Mr. William J. Kaufmann was duly sworn.)

EXAMINER LORING: We are ready to go on the record?

MR. ENGLAND: What?

EXAMINER LORING: We are ready to go on the record?

MR. ENGLAND: Yes, sir.

EXAMINER LORING: Okay. Let's go on the record in Case No. SA-77-167; in the matter of the application of Meramec Sewer Co., for permission, approval,

1 and a certificate of convenience and necessity authorizing  
2 it to construct, operate and maintain a sanitary sewage  
3 disposal system in a certain designated area in Jefferson  
4 County, Missouri.

5 Make your entry of appearance, please,  
6 starting with the Applicant.

7 MR. ENGLAND: Let the record reflect the  
8 appearance of W. R. England; my mailing address is Hawkins,  
9 Brydon & Swearngen, Professional Corporation, Box 456,  
10 Jefferson City, Missouri 65102, appearing on behalf of the  
11 Applicant, Meramec Sewer Company.

12 MR. MITTEN: L. Russell Mitten, II, Post  
13 Office Box 360, Jefferson City, Missouri 65102, appearing  
14 on behalf of the Commission's Staff.

15 EXAMINER LORING: Okay. Does either the  
16 Applicant or the Staff have any preliminary matters to take  
17 up?

18 MR. ENGLAND: Just by way of a preliminary  
19 statement, if I may, Mr. Examiner, the Applicant has  
20 restricted the area it seeks to certificate, and that area  
21 will be shown in plat form and a legal description, which  
22 is contained in the Feasibility Study, which has previously  
23 been marked for purposes of identification as Applicant's  
24 Exhibit No. 1. The area originally sought to be certificated  
25 included the new area. It has just merely been a reduction

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of the area Applicant proposes to serve with the sewer service.

In addition, I might point out that the Feasibility Study included various costs and other estimates based upon replacement costs of the existing sewer system, which the Applicant proposes to take over.

At this time, I believe there is an agreement between the Company and the Staff that the Company will not pursue what it considers to be its entitlement or right to a return on its investment in the existing sewer facility; at the same time, it will not pursue a depreciation expense related to those facilities, but it is the understanding of the parties here that the Staff and the Company, within the next 18 months, or the period for which these proposed rates will be in effect, will perform an original cost study of the existing facilities, in order to determine an investment in the property, and for the purposes of using that investment for future rate cases, as well as determining depreciation rates to be used for purposes of--for future rates.

With that in mind, I have nothing further to say and would call Mr. Kaufmann to the witness stand.

EXAMINER LORING: Very good.

Mr. Kaufmann, would you please take this chair over here (indicating).

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APPLICANT'S EVIDENCE:

W I L L I A M J. K A U F M A N N, called as

a witness in behalf of the APPLICANT,  
MERAMEC SEWER CO., being duly sworn,  
testified as follows:

DIRECT EXAMINATION BY MR. ENGLAND:

Q State your name and address for the record,  
please.

A William J. Kaufmann, 59 Grantwood Lane,  
St. Louis, Missouri.

Q Mr. Kaufmann, are you related or employed  
by the Meramec Sewer Company?

A (No response.)

Q You are President of the sewer company,  
is that correct?

A I am President of the sewer company; right.

Q And are you authorized to testify on behalf  
of the sewer company?

A Yes, I am.

Q Would you briefly describe for the record,  
please, what the sewer company is and what its purpose  
of business is?

A Well, we are trying to establish the Meramec  
Sewer Company, in this given area, to serve the people of  
Shangri-La Estates, and the whole 187 acres in the area.

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Q You will be providing sewer service to residential, as well as multi-family dwellings, is that correct?

A Yes; right.

Q The area that you propose to certificate, generally speaking, is that located in an unincorporated part of Jefferson County?

A Yes, it is.

Q All right. And what is the principal business address of the Meramec Sewer Company?

A 195 Shangri-La Estates Drive, Fenton, Missouri.

Q Mr. Kaufmann, did you have or cause to be filed, rather, an application for a certificate of convenience and necessity on behalf of the sewer company?

A Yes, I did.

Q And let me show you what has been marked for purposes of identification as Applicant's Exhibit No. 2, which is a Certificate from the Secretary of State, and does that exhibit or is that exhibit a true and correct copy, to the best of your knowledge, of the Articles of Incorporation and the Certificate of Incorporation of Meramec Sewer Company?

A Yes, it is.

Q Who are the other officers of the sewer company, Mr. Kaufmann?

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A. Presently, my wife, Fern M. Kaufmann, and my father.

Q. All right. And who are the stockholders in the Company, do you know?

A. Well, I am the principal stockholder.

Q. Would there be any other stockholders, or do you own the stock, all of the outstanding stock?

A. Yes, I do.

Q. Okay. Mr. Kaufmann, have you had any previous experience in the sewer business?

A. As far as the contract is concerned, I have had a lot of experience in the construction of sewers and plants, and different things like that.

Q. All right.

A. But as far as owning a company, or being President of it, this is the first time.

Q. Okay. But I don't want to limit you to regulated sewer companies, or anything of that nature. Have you had occasion to have experience in taking care of the day-to-day operations of a sewer company and making sure that it is running and running correctly?

A. Yes, we have.

Q. Mr. Kaufmann, I believe you have in front of you what has been marked for purposes of identification as Applicant's Exhibit No. 1, which is an amended Feasibility



1 Study, and which Mr. Dolecki, a Professional Engineer, has  
2 prepared on behalf of the sewer company, is that correct?

3 A. That's correct.

4 Q And let me turn your attention to the first  
5 two pages of that Exhibit No. 1, and appearing approximately  
6 half way down the first page and continuing on to the  
7 second page, is the proposed service area of the Meramec  
8 Sewer Company legally described in metes and bounds at that  
9 portion of--

10 A. (Interrupting) To the best of my knowledge,  
11 it is correct; right.

12 Q Turning further to the third page of that  
13 report, does that third page, which extends to almost a  
14 double page, graphically or in plat form display the service  
15 area proposed to be served by the Company?

16 A. Yes, it does.

17 Q Would you, for the record and for the  
18 benefit of the Hearing Examiner, describe the boundaries  
19 or how the boundaries appear on that plat of the proposed  
20 certificated area?

21 A. (No response.)

22 Q Those boundaries appear, do they not, in a  
23 broken blue line--

24 A. Oh, I see. The boundaries - I thought you  
25 meant the streets - and they appear in a broken blue dotted

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line on the plat.

Q Now, in that portion of the certificate or that certificated area, as you have applied for here today, was a portion of a larger certificated area which you had originally applied for, isn't that correct?

A That's correct.

Q But it is your intention today to amend your application to restrict yourself to only that area as shown on the plat?

A Correct.

Q Would you describe, generally, if you would, please, the existing sewer system that exists in this certificated or proposed certificated area?

A The existing sewer system that exists here is the--it is outlined in the blue area here (indicating), and it shows where the plant is, which is a mechanical plant, and it has the main sewer lines running up to Highway 141. And, then, it has the collector lines feeding into the main lines.

Q Would you briefly describe the development of the area to date; if you can, give the approximate number of homes, mobile homes, existing customers?

A The existing customers in the section marked B, there is 60 apartments built, where it says B, and one laundromat. In the section A, there is 151 mobile home lots,

1 and they are all occupied, and the extension of A would  
2 have another 54 mobile homes occupied. Then, in the A-1  
3 area, there is 20 single-family homes, and three duplexes.

4 Q The existing system, do you know how many  
5 customers it currently serves, total?

6 A Currently?

7 Q Or would that be a question better addressed  
8 to Mr. Dolecki?

9 A I believe it would.

10 Q All right. Looking or directing your attention  
11 back to that certificated area, Mr. Kaufmann, would you  
12 tell the record, please, who are the owners of record of  
13 the real estate in that area.

14 A Ray Kruse Construction Company owns the  
15 60 family apartments in that B area. The mobile home area  
16 is owned by myself and my wife. And in the A-1 area,  
17 Copperfield Investment Corporation has 20 single-family  
18 lots and three duplex lots.

19 Q Would it be safe to say, then, Mr. Kaufmann,  
20 that either or among you and your wife, Kruse apartments,  
21 and Copperfield--

22 Is that Investment Company?

23 A Investment Corporation.

24 Q --Investment Corporation, you represent the  
25 sole landowners for the proposed certificated area?

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A Yes, we do; right.

Q Do you anticipate growth in the service area and additional customers, other than that which are currently served?

A Yes, we do.

Q All right. Do you know what those numbers are, or would that question more properly be addressed to Mr. Dolecki?

A I think Mr. Dolecki can answer that more properly.

Q With respect to the existing sewer system, and the treatment facility located in the southeasternmost portion of that area, are you currently in compliance with all Missouri Department of Natural Resources' requirements?

A To the best of my ability, we are.

Q All right.

A Yes.

Q And, to the best of your knowledge, there are no local franchise requirements that would require you to seek a franchise before doing business as a regulated sewer company in this area, is that correct?

A That's correct.

Q With respect to the proposed monthly user rates that the Meramec Sewer Company proposes to charge, you agreed, did you not, Mr. Kaufmann, that at this time

1 the Company is not seeking a return on investment or a  
2 depreciation expense associated with that investment?

3 A Yes; I have agreed.

4 Q Okay. And you understand, then, that a  
5 monthly rate to be set in this proceeding will be for an  
6 interim period only, of no more than 18 months?

7 A Yes; I understand that.

8 Q And that rate will be designed to cover  
9 proposed operation and maintenance expenses for the first  
10 year and a half or two years, if you will, of operations of  
11 the Company?

12 A Yes; I understand that.

13 Q Is it your understanding, also, that those  
14 rates will be approximately or exactly \$9 per residential  
15 customer, per month, and \$7.20 per multi-family, whether it  
16 is an apartment or a mobile home, per customer, per month?

17 A Yes, I understand.

18 Q All right. Do you also understand that at  
19 this time there will be no contribution, not a contribution,  
20 excuse me, no connection fee as previously sought by you?

21 A Right. I understand that, too.

22 Q The extensions of the existing system will be  
23 made by the Meramec Sewer Company pursuant to an extension  
24 tariff which you will file with the Commission, if given the  
25 certificate of convenience and necessity that you seek, is  
that correct?

*Missouri Public Service Commission*

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A. Correct.

Q. Will that extension provide or that extension tariff provide that the Applicant requesting extension of sewer service pay for that sewer service at his cost and donate it, in effect, to the Company, at no cost to the Company?

A. Yes; to my understanding; un-huh.

Q. Do you anticipate, in the first three years of operation, making any substantial capital investments, to the already existing sewer system? You as a sewer company, I am talking about.

A. I don't believe so.

Q. But after that first three years,--

A. After the first three years--

Q. --It may become necessary for you to enlarge the treatment facility, isn't that correct?

A. Yes, it would become--

Q. And you propose to do that either through equity or debt issue of the sewer company and finance it appropriately, is that correct?

A. That's correct.

Q. Mr. Kaufmann, you briefly touched on the fact that you and your wife own the property that is currently developed and exists as Shangri-La Estates, is that correct?

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A. Yes, we do.

Q. Do you have any other real estate investments or holdings in this area proposed to be served?

A. Other than this?

Q. That is correct.

A. No, I don't.

Q. Do you have any other real estate interests outside of this area, or any other business interests besides that which you have already testified to?

A. Yes, I do.

Q. Are you in a position or do you consider yourself in a financial position of being capable to either secure the debt or infuse the equity capital necessary to keep the Meramec Sewer Company operating, and operating in a viable position?

A. Yes, I can.

Q. The existing system that is shown on this plat map, Mr. Kaufmann, is that a gravity sewer system?

A. A complete gravity sewer system; that is correct.

Q. What is the size of the pipe that runs from left to right, or, if you will, west to east?

A. That would be an eight-inch pipe.

Q. Emptying into the treatment facility?

A. Yes; an eight-inch pipe.

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Q And do you know what the capacity of the treatment facility is?

A I would say--in people you mean, in terms of people?

Q Yes; in population.

A Fifteen hundred people.

Q That is the population equivalent, is it not?

A Population equivalent.

Q What kind of a treatment facility is that; is that a mechanical treatment facility, or a lagoon, or what?

A No. It is a mechanical treatment facility.

Q Who do you propose to have oversee the day-to-day operations of the Meramec Sewer Company, Mr. Kaufmann, assuming you are granted a certificate of convenience and necessity?

A I will oversee it.

Q And in that regard, there has been built into the proposed expenses of the sewer company a \$2,400 a year charge for maintenance or management, rather, fee, or officer's salary, is that correct?

A That's correct.

Q Will the Company have an office and a phone, so that people desiring sewer service or having a complaint can contact you--



1 A Yes.

2 Q --or a representative of the sewer company?

3 A Yes, they will.

4 Q Do you know what that office or phone--the

5 address of that office is, or the number of that phone?

6 A Well, it would be 195 Shangri-La Estates Drive.

7 And the phone number you mean?

8 Q Yes, sir.

9 A Yeah; that would be (314) 343-2188.

10 Q And if a customer had a problem with sewer

11 service, or someone requested or wanted to request sewer

12 service, they would be able to reach you or a representative

13 of the sewer company--

14 A Right.

15 Q --at that address, or at that telephone number?

16 A Correct.

17 Q You recognize, Mr. Kaufmann, do you not,

18 that as a certificated public utility, you are subject to

19 the jurisdiction of the Missouri Public Service Commission?

20 A Yes; I understand that.

21 Q And you must abide by the rules and regulations--

22 A Yes; right.

23 Q --of that Commission?

24 A Correct; I understand.

25 Q You also recognize that before you can change

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your rates, you have to seek the approval of the Missouri Public Service Commission, do you not?

A. Yes; that is correct; I understand that.

Q. And you also realize that before you may do any long-term financing, either debt or equity, you may also have to seek the approval of the Commission?

A. Yes; I understand that.

Q. And you, of course, agree to abide by all--

A. --the rules and regulations.

Q. --the authority and the rules and regulations?

A. Yes, I do.

Q. Let me turn your attention back to the plat map that we were talking about earlier, Mr. Kaufmann, and appearing on that plat map are several what I consider to be lateral sewer lines, running in a north to south direction, in the Shangri-La Estates area. With the exception of one of those lines, which will be extended to serve the area designated A-1,--

A. Right.

Q. --the rest of those laterals will remain the property of Shangri-La Estates, will they not?

A. Yes; that is correct.

Q. And the responsibility for upkeep, maintenance, or repair of those lines will remain the responsibility of Shangri-La Estates?

1 A Yes; I understand that.

2 Q The proposed charge for service to Shangri-La  
3 Estates, which is a mobile home park,--  
4 of 151 units, is that correct?

5 A Correct.

6 Q --will be paid by you, as owner and operator  
7 of Shangri-La Estates, is that correct?

8 A That's correct.

9 Q And you will, in turn, I suppose, bill that  
10 into the rental per pad for the mobile home?

11 A Yes, I will.

12 Q Those lots are all full now, aren't they,  
13 Mr. Kaufmann?

14 A Fully occupied.

15 Q Assuming this Commission grants Meramec  
16 Sewer Company a certificate of convenience and necessity,  
17 the assets of the Company, as of that date, will include the  
18 trunk line running in a westwardly to eastwardly direction,  
19 and including the treatment facility that it empties into,  
20 is that correct?

21 A That's correct.

22 Q It will also include a second trunk, eight  
23 inches in diameter, running from north to south, through  
24 Shangri-La Estates, in the A-1 area?

25 A That's correct.

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Q And will it also include a north to south trunk, at the end of the east to west trunk, running into the B area of that plat?

A That's correct.

Q Okay.

MR. ENGLAND: Excuse me a second. Let me see, if I may, Mr. Examiner, to make sure I have asked all of my questions.

EXAMINER LORING: Surely.

MR. ENGLAND: I have no other questions of the witness at this time, and would tender him for cross-examination.

CROSS-EXAMINATION BY MR. MITTEN:

Q I just have a few questions, Mr. Kaufmann.

With regard to the sewer system, which is depicted on the map included in your Feasibility Study, are you currently operating the treatment plant which is depicted on that exhibit?

A Yes, I am.

Q Will you continue to be the plant operator if you are granted a certificate by this Commission?

A Yes, I will.

Q Assuming that an emergency should arise, and one of the customers would need to get in contact with someone from the Company, who would be the person that they

1 would contact for emergency service?

2 A. Harold Meyer (phonetic spelling), I guess  
3 would be the emergency service man.

4 Q. And you intend to make available his telephone  
5 number or his identity known?

6 A. Yes; right; right.

7 Q. Mr. England touched upon this during direct  
8 examination, but I am going to ask you the question anyway.  
9 Are you familiar with Chapters 60 and 61, of Title 4,  
10 Division 240, of the Code of State Regulations as they  
11 affect regulated sewer companies in the State of Missouri?  
12 Chapter 60 has to do with the standards of service by sewer  
13 utilities, and Chapter 61--

14 A. (Interrupting). I am fairly familiar. I  
15 don't know exactly. Maybe--

16 Q. After you have had a chance to familiarize  
17 yourself with these provisions, do you intend to abide by  
18 them?

19 A. Yes; right; right.

20 MR. MITTEN: I don't have anything further,  
21 Mr. Examiner.

22 Thank you, Mr. Kaufmann.

23 WITNESS KAUFMANN: Thank you.

24 EXAMINER LORING: Do you have any redirect,  
25 Mr. England?

*Missouri Public Service Commission*

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MR. ENGLAND: No, sir.

EXAMINER LORING: Okay. Thank you, sir.

WITNESS KAUFMANN: Okay.

EXAMINER LORING: Thank you. You may step down.

(Witness excused.)

MR. ENGLAND: The Applicant calls to the witness stand Mr. Stan Dolecki.

EXAMINER LORING: Mr. Dolecki, would you raise your right hand, please.

(At this time Mr. Stanley Dolecki was duly sworn.)

S T A N L E Y                      D O L E C K I,                      called as a  
witness in behalf of the APPLICANT, MERAMEC  
SEWER CO., being duly sworn,  
testified as follows:

DIRECT EXAMINATION BY MR. ENGLAND:

Q State your name for the record, please.

A Stanley Dolecki.

Q And would you state your business address,  
please.

A 7745 Carondelet, Clayton, Missouri 63105.

Q And by whom are you employed, Mr. Dolecki?

A Harland Bartholomew and Associates.

Q How do you spell Harland Bartholomew?

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A. (Spelling) H-a-r-l-a-n-d B-a-r-t-h-o-l-o-m-e-w.

Q. And in what capacity are you employed by Harland Bartholomew and Associates?

A. I am the Chief Engineer of the St. Louis Office.

Q. Would you briefly describe for the record your educational background, please.

A. All right. I have a Bachelor of Science in Civil Engineering from the Missouri School of Mines and Metallurgy, now known as the University of Missouri at Rolla, in 1950. Since that time, except for a short stint in the service, I have practiced engineering either as a Municipal Engineer or a Consulting Engineer.

Q. Do you belong to any professional societies?

A. Yes. I am a member of the American Society of Civil Engineers, and the Missouri Society of Professional Engineers, the American Public Works Association, the Water Pollution Control Federation. I am a Registered Engineer in 22 states, and a Registered Land Surveyor in two.

Q. And have you had any experience in the construction or engineering or development, if you will, of a sewer company?

A. Yes. We have designed and have constructed, not personally, but under our supervision, sewage treatment plants and sewer lines.

1 Q With that in mind, Mr. Dolecki, were you  
2 contacted by representatives or a representative of the  
3 Applicant, Meramec Sewer Company, to perform a feasibility  
4 study of the Meramec Sewer Company?

5 A Yes, we were.

6 Q And to prepare a report in that regard?

7 A Yes.

8 Q And is that report, as prepared by you,  
9 evidenced by what has previously been marked for purposes of  
10 identification as Applicant's Exhibit No. 1?

11 A Yes.

12 Q This is an amended Feasibility Study, is it  
13 not?

14 A Yes; to one prepared dated September, 1978.

15 Q Would you briefly for the record, please,  
16 describe the contents of the Feasibility Study, and highlight  
17 those areas that you feel are important and the Commission  
18 ought to note.

19 A All right. The original report included  
20 two portions; namely, the engineering and technical feasibility;  
21 the second portion was the financial feasibility. That was  
22 the report prepared in September of 1978. This amended  
23 report revises only those portions that we felt applicable  
24 to this hearing, and that is, to revise the boundaries  
25 and the services, and the costs related to a smaller area.



1 The original boundary encompassed about 1,500 acres, the  
2 boundary as submitted now encompasses 197.

3 The first portion just gives the legal  
4 description. There is a graphic illustration, referred to  
5 as Plate 2, which outlines the development in the area,  
6 the topography, and the proposed boundaries of the sewer  
7 district. And then follows a series of surveys, listing  
8 the development in the area, projected for a ten and 20-year  
9 period, based on information that we had and could gather,  
10 to show the expected growth, which are Tables 1A and 2A.

11 Tables 4A and 6A deal with the present  
12 estimated cost of the sewer systems and the sewage treatment  
13 plant.

14 And, then, beginning on Page 20A through 27A  
15 are the various calculations and descriptions of the  
16 financial feasibility.

17 Q Now, I believe you have stated this before,  
18 but let me ask you directly, Mr. Dolecki, was this study  
19 prepared by you or under your direct supervision?

20 A Yes; indeed.

21 Q And is it true and correct, to the best of  
22 your knowledge and belief?

23 A Yes, it is.

24 Q Let me start with Table 1A, please, and would  
25 you state for the record the--well, first of all, describe

1 that record and then highlight, if you would, please the  
2 number of customers existing in the area today, and those  
3 you anticipate to be there in ten years from now.

4 A All right. This is an amended table, the  
5 original one was in the September, 1978, report, and it  
6 shows the identification of some five developments, either  
7 existing or proposed, which are described on the Table and  
8 on the attached Plate 2, by letters A, A1, A2, A3 and B,  
9 and describes the type of development, and the historical  
10 growth for '67 and '77, and a projected growth for the  
11 year of 1987.

12 It shows the number of lots for each of those  
13 six (five) developments, the number occupied in 1977,  
14 and that are expected to be occupied in 1987; and the  
15 population that would be associated with each dwelling,  
16 each dwelling unit, dwelling units being either a single  
17 family residential unit, a multiple family residential unit,  
18 or a mobile home.

19 Q All right. And what is the current population  
20 as of 1977 in the proposed certificated area?

21 A 264 units, 792 persons.

22 Q And what do you expect that to be in 1987?

23 A 1,077 units, 3,567 estimated population.

24 Q Let me skip part of this, the rest of the  
25 report, and go to a three-year projection that I believe you

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made with respect to population. Is that shown on your Table 8A, at Page 25A?

A. Correct.

Q. And would you briefly describe for the record that exhibit, and your projections for the first three years of operation?

A. All right. We took the previous data from Table 1A, which was for the year of '67, '77 and '87, and increased the current number of units connected to the present date; that is, 1979, and made estimates of the number of units that would exist in 1980 and 1981, so that we could produce data for the first expected three years of operation. These were as follows: For 1979, 286 units; 1980, 77 would be added, for a new total of 363; for 1981, an additional 92 would be added for an accumulative total of 455.

Q. Now were these figures originally used by you in the calculation of not only the connection fees but the monthly user fees?

A. Yes.

Q. In our discussions off of the record and before--earlier this morning, we have revised, for purposes of becoming or arriving at a monthly user fee, the total number of units and have put them on a residential equivalent basis,--

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A. That's correct.

Q. --is that correct?

A. That is correct.

Q. Could you give the residential equivalent number of units for the first three years of operation?

A. Yes. The 286 actual units for 1979 become 233 residential equivalent; for 1980, the 363 actual units become 299 residential equivalent; for 1981, the 455 actual units become 391 equivalent units.

Q. And could you describe for the record why the change in the number of units, or the relationship between a mobile home, say, and a single-family residence?

A. All right. Mobile homes and apartments are considered to have a lower population density; that is, approximately three persons per dwelling unit, whereas a single family unit is calculated at 3.7 persons per dwelling unit. This is in a ratio, then, of about .8 to one and to convert everything to a single family residential equivalency, the mobile homes and the apartments are then multiplied by .8 to arrive at these numbers.

Q. Thank you. For purposes of determining a residential equivalent number of units for the first 18 months of operation, was a figure calculated using the first year of 233, and a second year using a figure of something less than 299?

1           A.    Yes.  We took, basically, an average of  
2   233 and 299, which is 266, and assumed that that would  
3   represent the number connected for the whole year, that it  
4   would start with 211 and end with 299, and that was the  
5   basis for the second year, then.

6           Q.    Okay.  Now with that in mind, with the  
7   number of customers in mind, let me turn your attention  
8   to the proposed operation and maintenance expenses of  
9   the sewer company for the first three years.  You have  
10  performed an estimate or an example, did you not, on this?

11          A.    Yes.

12          Q.    And does that appear at Page 27A, Table 9A  
13  of your report?

14          A.    Yes.

15          Q.    And would you briefly describe for the  
16  record what that purports to show?

17          A.    Table 9A was estimated annual expenses for  
18  the first three years, and included such major items as  
19  Annual Maintenance, Electricity, Administration and  
20  Billing, and Depreciation, and other investments.  For our  
21  purposes, we only considered Annual Maintenance, Electricity,  
22  Administration and Billing, and management fees.

23          Q.    All right.  And this coincides with our  
24  agreement not to, at least at this time, pursue depreciation  
25  on investment, or a return on that investment, is that correct?

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A. That is my understanding.

Q. All right. Let me turn your attention to an exhibit that has been marked for purposes of identification as Applicant's Exhibit No. 3, and would you briefly describe for the record what that purports to show?

A. All right. This breaks down the first two categories shown on Table 9A; namely, Annual Maintenance-- correction, the first and third items; namely, Annual Maintenance and Administrative and Billing, which are referred to as Administrative and General on this exhibit, in much greater detail. And Table 9A just shows the bottom line totals. This, then, breaks them down into all of the various component parts, such as wages, supplies, repairs, payroll, utilities, and so forth.

Q. Now was this exhibit prepared by you or under your direct supervision?

A. This was prepared by Mr. Zwart.

Q. With respect to setting a proposed rate for the first 18 months of this sewer company, were the first two years' operation and maintenance expenses utilized?

A. Yes.

Q. And would you recap what those expenses were and what they total for those first two years, briefly?

A. All right. Would you like for me to read the component parts?

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Q Yes; please.

A All right. The first year, annual maintenance, \$11,209; Electricity, \$3,300; Administrative and General, \$6,000; Management Fee, 2,400; for a total of 22,909.

The second year, Annual Maintenance, 15,000; Electricity, 4,400; Administrative and General, 9,574; Management Fee, 2,400; for a total of 31,374.

Q Now, for purposes of arriving at the proposed rates, did you take the sum of the first two years' operation and maintenance expenses?

A Yes, we did.

Q And, then, did you divide that sum by the sum of the two residential equivalent numbers?

A Yes, we did.

Q And what was the result?

A Just briefly, we took the first year, we took 22,909, the second year total of 31,374, which gave me a two-year total of 54,283; we divided this by the number of equivalent units connected the first year, 233, plus the previously described equivalent units for the second year, 266, and that gave a total of \$108.78, which, divided by the 12 months, was equal to \$9.07 per equivalent unit per month.

Q And it was rounded to \$9 for simplicity's sake, was it not?

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A That is correct; which would be \$9 for a single-family residential unit, \$7.20 per mobile home parked or a multi-family unit.

Q And the rates for a mobile home or an apartment unit recognizes the 80 percent relationship between net population, densitywise, and that of a single-family residence, is that correct?

A That is correct.

Q With respect to the existing system, Mr. Dolecki, you have made an estimate of its replacement cost, have you not?

A That is correct.

Q And does that appear at Page 16A, Table 4A of your report?

A Yes.

Q Would you briefly review that for purposes of the record, please.

A This was a--merely a summation of the existing pipe now in the ground, divided into three major components, the number of lineal feet of six-inch lateral, vitrified clay pipe; the number of lineal feet of eight-inch trunk line; the number of manholes, took their current replacement costs, included construction contingency, and technical services, easements, and determined the total cost.



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Q As a result of the prehearing conference of this morning, Mr. Dolecki, it was agreed that the Company would not take over the six-inch VCP, is that correct?

A That is correct.

Q If you were to drop that from your calculation, would you then come up with a total replacement cost of the existing system that the Meramec Sewer Company proposes to take over?

A Yes; with adjustments in the construction contingency and technical services, which are also attributed to the others.

Q Mr. Dolecki, at a later time, could you prepare and submit to the Commission a revised Table 4A, excluding those costs associated with the six-inch VCP?

A Yes, I can.

MR. ENGLAND: Mr. Examiner, at this time, could I request an Exhibit No. 4 to be reserved for Applicant's late-filed revised Table 4?

EXAMINER LORING: Yes. Number 4 is reserved for the late-filed Table 4A.

BY MR. ENGLAND:

Q Mr. Dolecki, let me turn your attention to the page behind Table 4A, Table 6A, and would you briefly describe what that purports to show for the record, please.

A Yes. Table 6A is the estimated cost of the

1 existing 1,500-person treatment facility now serving the  
2 area. This is a mechanical plant, consisting of various  
3 blowers, and skimmers, concrete tanks, mechanical equipment,  
4 electrical controls, sensors, and so forth. And we made  
5 measurements of the facilities, reviewed the drawings,  
6 and produced a replacement cost for that unit, based on  
7 1977 costs, of \$320,000.

8 Q Mr. Dolecki, this Table and these figures  
9 would not change pursuant to the prehearing conference that  
10 was had today, the Company anticipates and plans to take over  
11 this complete facility, does it not?

12 A That is my understanding.

13 Q Okay. With the adjustments to Table 4A in  
14 mind, and looking ahead at the revised 4A to be submitted,  
15 if you were to add the total cost to the existing sewer  
16 system, per the revised Table 4A, and the total cost of the  
17 existing waste water treatment facilities, would you come  
18 to a total replacement cost of the sewer system as Applicant  
19 proposes to take it over?

20 A Yes.

21 Q And would that represent at least a replacement  
22 cost value, an asset of some, perhaps, 450 to \$500,000 replace-  
23 ment cost value?

24 A Probably the lower, closer to the lower figure.

25 Q Closer to \$450,000?

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A. Yes; closer to the 450.

Q. How does the Applicant propose to acquire this existing system; through the issuance of either debt or stock, isn't that correct?

A. That is correct; that is my understanding; correct.

Q. And it will not be determined until such time as the Staff is able to get into the field and coordinate with you what exactly the existing--or, rather, the original cost of the existing system is, less depreciation, is that correct?

A. Correct.

Q. If you will, or if you can agree with me, would you consider this \$450,000 figure, in effect, a trended original cost of the existing system?

A. Yes; based on '77 estimates.

Q. Mr. Dolecki, based on your investigation and subsequent report, as evidenced by Applicant's Exhibit No. 1, is it your opinion that the existing system and proposed acquisition of that system by the Meramec Sewer Company is an engineeringly viable system?

A. Yes.

Q. Is it sufficient to provide sewer service to the customers now existing in the proposed certificated area?

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A Yes.

Q Is it sufficient to provide service for the next three years of operation, given the estimates and assumptions that you have made in your report?

A Yes. The sewers are large enough to handle that.

Q Based on your report and your investigation, is the system, as existing and as proposed for the next three years, financially feasible, in your opinion?

A Based on these calculations, yes.

MR. ENGLAND: I have no questions, no further questions of this witness, and would tender him for cross-examination at this time.

MR. MITTEN: No questions.

EXAMINER LORING: Okay. Thank you, Mr. Dolecki.

WITNESS DOLECKI: Thank you.

(Witness excused.)

--

MR. ENGLAND: Mr. Examiner, at this time I would offer Applicant's Exhibits 1 through 3, recognizing that Applicant's Exhibit No. 3 is the backup for certain figures contained in Applicant's Exhibit No. 1, was not prepared directly by Mr. Dolecki, but by Mr. Zwart, who is here, and, if necessary, can testify as to their accuracy,

1 if that is necessary. If not, I would ask that the  
2 exhibit be admitted without objection, at least on foundation  
3 grounds.

4 MR. MITTEN: We are willing to stipulate as  
5 to the accuracy of the exhibit.

6 EXAMINER LORING: Okay. If there is no  
7 objection, Applicant Exhibits 1 through 3 are received.

8 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 1, 2  
9 AND 3 WERE RECEIVED IN EVIDENCE AND MADE A PART OF THIS  
10 RECORD.)

11 MR. ENGLAND: And pending any questions that  
12 the Staff may have, I would submit our late-filed Exhibit  
13 No. 4 for inclusion in the record also.

14 EXAMINER LORING: Okay. That will be  
15 received when it has been filed.

16 I take it the Staff has no direct testimony?

17 MR. MITTEN: The Staff has no direct  
18 testimony, Mr. Examiner, but we are prepared at this time  
19 to recommend that the Commission grant the authority being  
20 sought by the Meramec Sewer Company.

21 We are also recommending that the single-  
22 family residential rate of \$9 per month, and the mobile  
23 home or apartment rate of \$7.20 per month be approved by  
24 the Commission, on an interim basis, not to exceed 18 months  
25 from the effective date of any Report and Order issued in

1 this case, pending the completion of an original cost  
2 study by the Staff, and a review of the actual operating  
3 data incurred by the Company during the first 12 to 18  
4 months of actual operations.

5 EXAMINER LORING: Very good.

6 Has the waiver of the reading of the transcript,  
7 has that been executed?

8 MR. ENGLAND: No. But, I will do that right  
9 now.

10 EXAMINER LORING: Okay. All right. There  
11 will be no briefing or oral argument, of course?

12 MR. ENGLAND: Not as far as I am concerned.

13 EXAMINER LORING: Okay. If there is nothing  
14 further to come--

15 MR. MITTEN: Mr. Examiner, I might also  
16 mention that the Company will need to file tariffs reflecting  
17 the rates which have been agreed to, as well as setting  
18 forth the rules and regulations that it proposes to follow  
19 as an operating company.

20 EXAMINER LORING: Sure.

21 MR. ENGLAND: If permitted to, within 30  
22 days of the Report and Order issued in this matter, we would  
23 be prepared to submit those tariffs.

24 EXAMINER LORING: Okay. Very well. Those  
25 will be filed within 30 days after the Report and order is  
issued.

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If there is nothing further to come before the Commission, the case will be submitted on the record, and the hearing is adjourned.

MR. MITTEN: Thank you, Mr. Examiner.

MR. ENGLAND: Thank you, Stan.

WHEREUPON, the hearing of this case was concluded.

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I N D E X

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APPLICANT'S EXHIBITS: MARKED RECEIVED

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Certificate of Incorporation	7	41
Exhibit No. 3		
Estimated Annual Expenses	7	41