

Missouri Public Service Commission

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a hearing of the Public Service
Commission, held at Jefferson City,
Missouri, on the 30th day of
August, 1979.

CASE NO. SA-79-14

In the matter of the application of
SOUTH COUNTY SEWER COMPANY for per-
mission, approval, and a certificate
of convenience and necessity author-
izing it to construct, install, own,
operate, control, manage, and maintain
a sewer system for the public located
in an unincorporated area in St. Louis
County, Missouri.

BEFORE:

THOMAS R. PARKER, Presiding,
HEARING EXAMINER.

REPORTED BY:

ROBERT L. STRATMAN

Missouri Public Service Commission

APPEARANCES:

W. R. ENGLAND, III, Attorney at Law,
P. O. Box 456,
Jefferson City, Missouri 65102,

FCP: APPLICANT,
SOUTH COUNTY SEWER COMPANY.

MS. HOLLY PECK, Assistant General Counsel,
GARY W. DUFFY, 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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1 BE IT REMEMBERED, at a hearing of the Public
2 Service Commission, held at the time and place mentioned on
3 the title page hereof, the following proceedings were had:

4 (Written Entries of Appearance filed.)

5 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 1, 2,
6 3 AND 4 WERE MARKED BY THE REPORTER FOR THE PURPOSE OF
7 IDENTIFICATION.)

8 EXAMINER PARKER: The hearing will come to
9 order.

10 The Commission has set for hearing at this
11 time Case No. SA-79-14; in the matter of the application
12 of South County Sewer Company for permission to install a
13 sewer system for the public in an unincorporated area of
14 St. Louis County, Missouri.

15 I assume written entries of appearance have
16 been made; if they have not, please do.

17 And the Bench will accept oral appearances at
18 this time, beginning with the Applicant.

19 MR. ENGLAND: Let the record reflect the
20 appearance of W. R. England, appearing on behalf of the
21 Applicant, South County Sewer Company; my mailing address
22 is Post Office Box 456, Jefferson City, Missouri 65102.

23 MS. PECK: Holly Peck, Assistant General
24 Counsel, for the Public Service Commission, Post Office
25 Box 360, Jefferson City, Missouri 65102.

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1 EXAMINER PARKER: Let the record reflect that
2 Applicant's Exhibits 1 through 4 were pre-marked for
3 identification before we went on the record.

4 Do you have any desire to explain the exhibits,
5 Mr. England, or would you just as soon wait?

6 MR. ENGLAND: I would just as soon do it with
7 my witness, if that is all right with you.

8 EXAMINER PARKER: All right. Any preliminary
9 matters?

10 MR. ENGLAND: Not that I can think of.

11 EXAMINER PARKER: Call your first witness,
12 and your only witness.

13 MR. ENGLAND: Mr. Examiner, let me call Bob
14 Rowland to the witness stand.

15 EXAMINER PARKER: Mr. Rowland.

16 Raise your right hand and be sworn, Mr. Rowland.

17 (At this time Mr. James R. Rowland was duly sworn.)

18 EXAMINER PARKER: Be seated, please.
19
20
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25

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APPLICANT'S EVIDENCE:

JAMES R. ROWLAND, called as a
witness in behalf of the APPLICANT, SOUTH
COUNTY SEWER COMPANY, being duly sworn,
testified as follows:

DIRECT EXAMINATION BY MR. ENGLAND:

Q State your name for the record, please.

A James R. Rowland (spelling) R-o-w-l-a-n-d.

Q And your business address, please, Mr. Rowland?

A 411 Main Street, Fenton, Missouri 63026.

Q Mr. Rowland, by whom are you employed, and
in what capacity?

A I am President of South County Sewer Company.

Q Would you briefly describe the nature of your
duties and responsibilities as the President of South
County Sewer Company?

A I am the Chief Executive Officer at the present
time, charged with the daily operations, et cetera.

Q Do you oversee, as well as the day-to-day
operations, the long-term operations, financing, construction
plans, and what have you, for the South County Sewer Company?

A Yes.

Q Are you authorized to appear and testify
on behalf of the South County Sewer Company in this hearing?

A Yes, I am.

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1 Q Mr. Rowland, would you briefly describe
2 your educational background, as well as work experience.

3 A I have a Bachelor's Degree in Engineering from
4 the University of Missouri; a year and a half of graduate
5 work in sanitary engineering; two years in the United States
6 Army, as a Lieutenant and Captain, as a Sanitary Engineer
7 in working on environmental matters; about three years as a
8 Consulting Engineer with Rowland Engineering Company, in
9 Clayton; and somewhere around eight or nine years operating
10 and owning sewer companies.

11 Q Are you affiliated with other sewer companies
12 regulated by this Commission?

13 A Yes.

14 Q And would you briefly name those sewer
15 companies?

16 A Saline Sewer Company,--

17 Q And was it--in what--

18 A I am not done.

19 Q In what capacity are you related to Saline
20 Sewer Company?

21 A Vice-President. Eastern Missouri Utilities,
22 St. Charles County, President; and Antire Sewer Company,
23 President, in Jefferson County.

24 Q All right. Do you belong to any professional
25 societies or organizations, Mr. Rowland?

1 A I think I am still a member of a few, but I
2 can't really remember. I can't remember if I renewed my
3 membership or not, though. I am not sure. I used to be a
4 member of several.

5 Q Are you a licensed Engineer in the State of
6 Missouri?

7 A I am a Registered Professional Engineer in the
8 State of Missouri, and a Registered Land Surveyor in the
9 State of Missouri.

10 Q Would you briefly describe the nature of the
11 application that is being heard here today, please.

12 A Well, the Company wishes to annex a small area,
13 I guess it contains about 37 lots, that are contiguous to
14 and part of a larger subdivision, that is within our service
15 area.

16 Q Okay. As I take it from your testimony,
17 South County Sewer is presently authorized to do business
18 and is certificated by this Commission, is that correct?

19 A Yes. We have a certified service area in
20 south St. Louis County.

21 Q And are all formal documents, Articles of
22 Incorporation, Certificate of Incorporation, things of that
23 nature that are required by the Commission, on file with
24 the Commission and open for public inspection?

25 A Most definitely.

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1 Q Does South County Sewer operate under
2 tariffs and rules and regulations on file and approved by
3 the Public Service Commission?

4 A Yes, it does.

5 Q You briefly described the nature of the
6 application. Would you now turn your attention to an
7 exhibit, which has been marked for purposes of identification
8 as Applicant's Exhibit 1, and briefly describe for the record,
9 if you would, what that exhibit purports to show?

10 A Well, Exhibit 1 shows, first of all, our
11 existing service area, and then it shows a small area,
12 penciled in in red, which is the area we are asking to
13 have annexed to our service area.

14 Q Okay. Mr. Rowland, the existing service
15 area is delineated by the unbroken line, that is approxi-
16 mately in the middle of the exhibit?

17 A Yes.

18 Q And the area you propose to annex is a small
19 rectangular square area to the left of your already existing
20 certificated area?

21 A Yes.

22 Q Do you have an estimation as to how large
23 the area to be annexed is, in acres, or--

24 A Oh, it is between eight and 11 acres, I would
25 estimate.

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1 Q Let me turn your attention now to Applicant's
2 Exhibit No. 2, and would you briefly describe for the record
3 what that exhibit purports to show.

4 A This is a metes and bounds description of the
5 service area to be annexed.

6 Q A legal description of the area?

7 A A legal description; yes.

8 Q Now with respect to these two exhibits, 1
9 and 2, were they prepared by you or under your direct
10 supervision?

11 A These two exhibits were prepared directly
12 by me.

13 Q Okay. And are they true and correct, to the
14 best of your knowledge and information?

15 A Yes. And on Exhibit 1, the area to be
16 annexed, is a scaled dimension, so it is only as accurate
17 as the scale is, but it is as accurate as can be done.

18 Q With those reservations, though, it is true
19 and accurate, to the best of your knowledge?

20 A Correct.

21 Q Let me jump ahead in the sequence of exhibits,
22 and turn your attention to an exhibit that is marked for
23 purposes of identification as Applicant's Exhibit 4, and
24 would you briefly describe for the record what that exhibit
25 purports to show?

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1 A This Exhibit 4 is a Xerox copy of a portion
2 of the sanitary sewer construction plans, prepared for that
3 subdivision by Fox and Cole Engineers.

4 Q Approximately, if you would, describe this
5 proposed area in number of potential customers, first.

6 A Well, there are approximately 37 lots to be
7 served in the annexed area.

8 Q All right. Does this exhibit also show either
9 proposed or existing sewer lines?

10 A Yes; it shows the proposed sewer lines, which
11 I imagine by now, they are existing at the present time.

12 Q In other words, to the best of your knowledge,
13 the unbroken solid lines that appear throughout the middle
14 of this exhibit represent sewer mains that have already been
15 constructed and installed, is that correct?

16 A Correct. The sewer lines are shown on there,
17 or you can tell them apart by the little manhole numbers.

18 Q All right. And who has performed that
19 construction or installation?

20 A I am not positive. The engineering was done
21 by Fox and Cole. I believe the sewer construction was done
22 by Berra Construction Company, in south St. Louis County.

23 Q And was that under the direction or supervision
24 of the developer for that area?

25 A Yes.

1 Q Let me turn your attention briefly to
2 Applicant's Exhibit No. 3--

3 EXAMINER PARKER: Excuse me. Can we go off
4 of the record?

5 MR. ENGLAND: Sure.

6 (Discussion off of the record.)

7 EXAMINER PARKER: Let's go back on the record.

8 BY MR. ENGLAND:

9 Q Mr. Rowland, pursuant to an off-of-the-record
10 question, would you describe, if you would, please, the
11 area shown in Applicant's Exhibit No. 4. Is that the area
12 to be annexed?

13 A Yes. The Exhibit 4 shows, basically, the
14 area to be annexed. It doesn't quite show all of the lots,
15 but it shows the basic part of all of those lots within
16 the annexed area.

17 Q Okay. And the area to be annexed, is that
18 part of an existing subdivision?

19 A Yes. It is part of one large subdivision.

20 Q And the other part of that subdivision is
21 currently within the certificated area of the South County
22 Sewer Company, is that correct?

23 A Yes. The initial part, the eastern part is
24 within our service area.

25 Q Okay. Now with respect to the sewer lines that

1 have been constructed and installed in the proposed
2 certificated area, would you turn your attention to
3 Applicant's Exhibit No. 3, and describe what that purports
4 to show.

5 A That is a Construction Permit, issued by
6 the Missouri Department of Natural Resources to the
7 developer, for the sanitary sewer lines in the entire
8 subdivision.

9 Q Okay. So, you have DNR approval, construction
10 approval for those lines, is that correct?

11 A Yes; the developer and engineer do.

12 Q Okay. Now let me--with respect to these
13 lines, what is the agreement with the developer regarding
14 these lines and dedication to the Company, if the area is
15 certificated?

16 A Well, we have an agreement with him, that we
17 haven't signed because it would be illegal to sign it,
18 assuming the PSC approves the annexation, this annexed area
19 would be treated as the rest of our service area, and the
20 lines would be dedicated to South County Sewer Company, and
21 our maintenance charges and tariff would be the same as the
22 rest of the service area.

23 Q Okay. But you do have an understanding, or
24 an oral agreement, if you will, with the developer of this
25 area, that if the area is certificated by the Public Service

1 Commission, in return for providing service to that area,
2 and the perpetual upkeep and maintenance of these lines,
3 they will dedicate these lines to you at no charge, is that
4 correct?

5 A Correct.

6 Q Okay. Now, with respect to the area to be
7 annexed, as shown in Exhibit No. 4, what other construction
8 needs to be done in order to make this sewer system fully
9 operable?

10 A Well, there has to be a pumping station, which
11 is shown in the "common ground " there now, and a force main.

12 Q Okay. So, that has not, to date, been
13 constructed, is that correct?

14 A It is under construction.

15 Q Okay.

16 A I do not know if it has been completed as of
17 yet or not, but there is a chance--it was under construction
18 as of two or three months ago.

19 Q And what is the size, if you will, of that
20 pumping station?

21 A It is a minimum size, 50 gallons per minute,
22 with two pumps, which is the minimum allowed by the State
23 Department of Natural Resources.

24 Q Approximately how many homes, based on an
25 average daily flow, or an average monthly flow, could that

1 pumping station accommodate?

2 A Oh, well over a hundred homes.

3 Q Okay. Now, with respect to that lift station
4 how was that--first of all, what is the proposed cost or
5 estimated cost of it?

6 A The estimated cost could be about 23,000 with
7 the force main.

8 Q And who is paying for that lift station?

9 A Well, our agreement would be that they would
10 pay tap-ins for the entire subdivision, and we would pay for
11 the lift station.

12 Q Okay. So, South County Sewer Company will
13 pay the \$23,000 for the lift station; am I correct?

14 A Correct.

15 Q In return, the developer will pay to South
16 County Sewer tap-in fees for the entire platted area, is
17 that correct?

18 A That is correct.

19 Q Now, as we have stated before, only part of
20 that platted area, as shown on Exhibit No. 4, approximately
21 how many lots have been platted in this subdivision?

22 A There are exactly, I believe, 84 lots in the
23 entire subdivision there.

24 Q And what are the existing tap fees, as charged
25 by the South County Sewer Company, and approved by the

1 Missouri Public Service Commission?

2 A \$400 per lot.

3 Q So, you would anticipate receiving from this
4 developer somewhere over \$32,000 in tap fees, is that correct?

5 A I believe it is \$33,600.

6 Q Okay. And is that money ready to be paid,
7 as soon as you receive certification from the Commission?

8 A Yes. All it takes is a phone call.

9 Q Okay. And you intend to apply the proceeds
10 of that, at least part of it, to finance the construction
11 of the lift station, is that correct?

12 A That is correct.

13 Q I believe you touched on this briefly, but
14 what is your proposal with respect to the rates to be charged,
15 the monthly sewer rate to be charged for customers located
16 in this proposed certificated area?

17 A We propose to treat them exactly the same
18 as the other customers, and their rates will be the same
19 as the original service area.

20 Q Do you anticipate your day-to-day operational
21 costs to be any different for this area than any other part
22 of your existing system?

23 A Not noticeably so, no.

24 Q In other words, they would be very similar to,
25 from day-to-day operationalwise, as any other customer in the
system?

1 A Yeah. We have to check the lift station
2 every day, that is the only difference.

3 Q What, if you know, is your current monthly rate
4 for sewer service to existing South County Sewer Company
5 customers?

6 A Five and a half dollars per month.

7 Q Okay. And how many potential lots are located
8 in the service area?

9 A About 37.

10 Q Okay. So, a rough calculation would be
11 37 times five-fifty, times 12, to arrive at a projected
12 annual revenue, assuming the area is fully developed and
13 inhabited, is that correct?

14 A Correct.

15 Q How will the sewage from this area be treated,
16 Mr. Rowland?

17 A It will be pumped into a sewer line, and then
18 flow by gravity into our Pittsburg plant.

19 Q In other words, it will be treated by an
20 existing facility, already owned and maintained by South
21 County Sewer Company?

22 A An existing facility owned by South County.
23 We don't maintain it at the present time.

24 Q Okay. Would you describe your current
25 maintenance program.

1 A Well, for the last year, we have been in
2 negotiations with MSD for the sale of the Company, and
3 pursuant to that, on March 5, we had an agreement with them
4 where they would take over our operation and maintenance of
5 our system for one year. So, at the present time, MSD
6 collects the revenues and maintains the system.

7 Q I see. And is that contract or agreement on
8 file and approved by the Public Service Commission, to the
9 best of your knowledge?

10 A I really don't know. I think it is, but I
11 am not sure.

12 Q Before entering into that agreement, did you
13 at least have a conversation with members of the Staff of
14 the Missouri Public Service Commission on what you proposed
15 to do with this maintenance agreement?

16 A Oh, yeah.

17 Q And, to the best of your knowledge, at least
18 the Staff of the Missouri Public Service Commission has
19 approved this arrangement, is that correct?

20 A Yeah. And so far as my memory goes, there was
21 no problem at all.

22 Q To the best of your knowledge, is South
23 County Sewer Company currently subject to any complaints
24 or citations, either by customers or the Public Service
25 Commission?

1 A Not that I know of, no.

2 Q In other words, it is in good standing as far
3 as you know, is that correct?

4 A Yes.

5 Q Do you know if any local municipalities require
6 franchises before you may begin operation as a sewer utility
7 in this area?

8 A There are no municipalities in that area,
9 either in the original service area or the annexed area.
10 It is all an unincorporated portion of St. Louis County.

11 Q So, besides your construction approval or
12 permit from DNR, and, hopefully, ultimate certification by
13 this Commission, you know of no other franchise requirements
14 or permits?

15 A The only other permit is an MSD permit,
16 which has been granted--

17 Q Okay.

18 A --for the construction of the sewers. They
19 have to approve everything, too.

20 Q I see. But that has been granted?

21 A Oh, yes. They have granted it a long time
22 ago.

23 Q I don't believe you stated for the record,
24 but who holds the title to this piece of ground or piece of
25 property that you propose to annex?

1 A At the present time? At the present time,
2 I believe it would have to be the developer, which is Oakville
3 Development Company.

4 Q Okay.

5 MR. ENGLAND: Hold on just a second, please.

6 (At this time Mr. England checked certain
7 documents in the case papers.)

8 BY MR. ENGLAND:

9 Q At what stage has this development or is this
10 development at currently, do you know, Mr. Rowland?

11 A It must be in the final stages. I know all
12 of the concrete streets are in, I know all of the sewer lines
13 are in. The lift station must be completed or very close to
14 completion. And I know, as of two or three months ago,
15 there are at least two or three houses under construction
16 in the annexed area, and another three or four in the other
17 portion.

18 Q Okay. And, to the best of your knowledge
19 what other sewer facilities or sewer utility facilities are
20 available to this area?

21 A Well, basically, there is no--there is no
22 other, really, real choice. The only choice of providing
23 service to this area is to serve it with a lift station into
24 our system, or to install a small package plant that would
25 serve the 37 homes. The drainage is towards the west, toward

1 the Meramec River. There is no existing sewer system between
2 this subdivision and the Meramec River. In fact, immediately
3 downstream, there is, I guess, a two or three hundred acre
4 golf course, and next to that is--you get into the farming
5 ground next to the Missouri River--or next to the Meramec
6 River and the Union Electric plant, et cetera. So, the
7 only choices for service would be to have a lift station,
8 pump over the hill into our watershed, or have a small
9 package plant, which is going to be in close proximity to
10 the houses, and the discharge is going to run directly
11 through the middle of a golf course. And that is really the
12 only feasible alternatives.

13 Q Okay. But, to your knowledge, there are no
14 existing sewer lines, either owned or maintained by any other
15 certificated utility or municipally or governmentally-owned
16 sewer utility in the area?

17 A Correct. There are no existing or even
18 sewer lines under construction, that could serve this by
19 gravity, in existence at this time,--

20 Q Okay.

21 A --either public, private, or what have you.

22 Q Under your existing arrangement with the
23 Metropolitan Sewer District, they, as I understand it, oversee
24 the day-to-day operations of the Company, is that correct?

25 A Correct.

1 Q Have they been handling emergency calls, as
2 well as routine calls?

3 A To my knowledge, there have been no emergency
4 calls in the last--since they took over. Our system there
5 has been remarkably trouble free. I think in three years,
6 I think the only clogged sewers we had were in Tam-O-Shanter
7 next to the lake, we had two calls there. And I know that
8 they went in and I think spent several thousand dollars
9 digging that particular problem up and correcting it. So,
10 as far as I know, they have done a pretty good job. There
11 have been no emergency calls or complaints of any kind that
12 they haven't handled, that have got back to me.

13 Q Okay. Do you maintain an office for South
14 County Sewer, and a telephone number, independent of MSD?

15 A Yes. We have--we share offices with Saline
16 Sewer Company, so we have an office. We have a telephone
17 number. It is listed, unfortunately, according to Bell Tel,
18 it is listed in the phone book as St. Charles County Sewer
19 Company; due to their oversight, I might add.

20 Q In other words, you have attempted to straighten
21 that out with the telephone company, is that correct?

22 A Two years in a row, I have tried.

23 Q The point I am getting at, Mr. Rowland, is
24 if the proposed sale with MSD should fall through and you
25 no longer renew the contract to maintain the system with MSD

1 and were required to undertake the day-to-day maintenance
2 and the operation of the sewer system, you do intend to
3 have an office and a number, and respond not only to routine
4 matters but emergency matters, should that need arise, is
5 that correct?

6 A Oh, yes. We did that for three years,--

7 Q Okay.

8 A --or two years.

9 Q And you understand, do you not, that as a
10 regulated sewer utility, you are required or obliged to
11 serve all existing or future customers in your certificated
12 area, provided they comply with the rules and regulations
13 as set forth in your tariff on file with the Commission?

14 A I understand that.

15 Q And you know and understand all other PSC
16 rules regarding the regulation of sewer utilities, and are
17 willing to agree or are willing to abide by them, is that
18 correct?

19 A I think I am aware of at least 95 or 96
20 percent of their rules. They may have a few that they
21 snuck in, or something, that I am not aware of yet. They
22 usually let me know very quickly.

23 Q But you do intend to operate and abide by
24 those rules, do you not?

25 A Yes.

1 MR. ENGLAND: I don't have any other questions
2 of this witness, Mr. Examiner.

3 Subject to cross-examination, I would request
4 that Applicant's Exhibits 1, 2, 3 and 4 be admitted into
5 evidence.

6 EXAMINER PARKER: All right.

7 Let's go off of the record.

8 (Discussion off of the record.)

9 EXAMINER PARKER: The hearing will come to
10 order.

11 Any cross, Ms. Peck?

12 MS. PECK: Yes, there will be.

13 CROSS-EXAMINATION BY MS. PECK:

14 Q What is the capacity of your Christopher Plant?

15 A 750 homes.

16 Q What will be the expense of the lift station,
17 and how will it be financed?

18 A The cost is approximately \$23,000. And it
19 would be financed out of general revenue of the company,
20 which, basically, we would take the tap-in fees they would
21 pay us and we would probably use that to pay off the lift
22 station.

23 Q Also, how far along are you in your negotiations
24 with MSD?

25 A Well, actually, as of about four o'clock

1 yesterday afternoon, we have a verbal agreement to sell out
2 to them, subject to the approval of their Board. So, I
3 would say we are pretty close.

4 Q At what price?

5 A Now that I don't remember, but this is very
6 complicated. The basic price was \$295,000, less some things
7 that they were going to pay cash for; their treatment plant
8 site, they were going to pay cash. And there are some
9 other items that we are going to give them credit against.
10 They are going to build the Point South plant, and reduce
11 the price. So, the basic price is \$295,000, I guess, but
12 the actual price, when we get it, will be less than that.

13 Q Now when is it projected to take place?

14 A That is a pretty difficult question. I would
15 say my best guess is that it is very imminent. I think
16 both parties want to conclude everything very quickly. I
17 would temper this with the fact that we have been negotiating
18 with MSD for approximately 18 months, and during that time,
19 we thought we had an agreement a couple of times. So, it
20 appears that we have--that we are very imminent at this time,
21 though. But until their Board approves it, and, you know,
22 I can't say for sure.

23 Q I would like to go back to the Christopher
24 plant again. How many people are currently on that now?

25 A There are approximately 400 homes on that at

1 the present time, 400 to 450.

2 Q Is that on or near capacity for the plant?

3 A No. It has been expanded this spring, and its
4 capacity is now 750 homes, or its permanent capacity is
5 750 homes. Logically, it could probably take somewhat more
6 than that, too.

7 Q And with this addition, does that put it over
8 capacity, then?

9 A This particular development would not put it
10 over capacity. As I said off of the record, there are a
11 significant number of lots that are zoned, and if every lot
12 that were zoned in our watershed was developed in the very
13 near future, the plant would be at or near capacity. On
14 reasonable time projections, I doubt if we will add 80 homes
15 a year onto the plant. So, a reasonable projection, with the
16 growth in the area, the way it is now, that probably, you
17 know, would be well--have plenty of capacity for at least
18 two years. And at the present time, if 80 homes went onto
19 it immediately, it would not cause any problem.

20 Q Who is the developer of this newer site?

21 A It is a corporation, Oakville Development
22 Company.

23 Q Has Oakville been pressing you to get this
24 done immediately?

25 A I would say yes. They--yes, I would say.

1 They are very anxious, because they have committed them-
2 selves to go ahead with the project, based on the assumption
3 that some sort of approval would be given.

4 Q How far along are they into the construction
5 of this land site? Are the homes completed?

6 A My last time I was in the subdivision was
7 some two or three months ago, and at that time the concrete
8 streets were in and completed, the sanitary sewers were in
9 and completed, the lift station was under construction and
10 very close to completion. And there were, I think, two or
11 three homes in this area to be annexed that were under
12 construction. I haven't been back since then, so I am not
13 really sure of the current status of it. But I am sure there
14 must be two or three homes that are fairly close to being
15 completed, at least.

16 Q And what is the capacity of the lift station?

17 A It would have two pumps, each 50 gallons per
18 minute, which is the minimum State requirement, which is
19 sufficient to serve, let's say, well over 100 homes.

20 Q With the addition of these homes, would it
21 put it near or around capacity?

22 A No. I think the lift station would have a
23 capacity, oh, for - what - another 70 homes. There is 38
24 lots, and there is probably a hundred and some homes, they
25 have additional capacity for at least 70, and maybe a lot
more homes.

1 Q At what time in the future do you think
2 additional homes would be added to this?

3 A Well, it is very hard to judge that. There
4 is an existing subdivision adjacent to it, that is presently
5 on septic tanks. And we have had conversations--we had
6 conversations with them two years ago, and then Fox and Cole
7 did some preliminary work about a year ago, as to the
8 possibility of putting in sewers and hooking into this
9 particular lift station. At that particular time, I think
10 they decided not to go ahead with it. At the present time,
11 I think they are probably waiting to see if we have a deal
12 with MSD, and whether or not they could get a Federal grant
13 to do it cheaper. But we did take that into consideration.
14 The lift station is pretty well set up, where, you know,
15 we could get almost all of that subdivision in, and there
16 is about 30, 40, or I guess 45 homes in there.

17 Q Well, why did you select this particular
18 area at this time; why not larger or smaller; why just this
19 service area?

20 A Well, we didn't basically select the area.
21 The area was chosen, the builder bought the ground, and
22 he obviously had to buy the entire piece of ground. It is
23 economically not feasible to develop only half of it and
24 hold the remaining ground out of production. So, it was
25 really the builder's choice. He bought the land, to make

1 it financially feasible, he has to develop the entire piece,
2 and the only logical way to develop it or to serve it would
3 be with a lift station. So, he requested, you know, could
4 we serve it? And we agreed that we would, subject to PSC
5 approval.

6 Q Why not more?

7 A Well, for a couple of reasons. First of all,
8 downstream there is a golf course, where there is no real
9 reason to annex towards the west, because the golf course
10 had no plans for development. There were possibilities of
11 annexing other areas, but the main reason we didn't expand
12 it is because we were not sure how the owners would react,
13 you know, would they want it, would they object to it?
14 And, obviously, the builder has requested us to annex this
15 area, he obviously is not objecting to it. We don't know
16 if the other people in the area, other homeowners or
17 landowners, we don't know how they feel. And most of this
18 is vacant land, in fact, and I think now the area to the
19 south of this has been sold and there is another subdivision
20 coming in there. So, we may even come back with another
21 one.

22 Q Have you asked the landowners how they feel?

23 A I talked to one in the existing subdivision,
24 I tried to find out who owned the land next to it, and the
25 one I knew was pretty noncommittal. They didn't understand

1 what was going on, first of all, and their natural reaction
2 is, well, you know, we would have to have a meeting and
3 discuss this, and decide what to do about it. And, normally,
4 that sort of meeting, you know, you are going to have somebody
5 object to it. And, of course, from a hearing standpoint,
6 if you have one person object, it makes it much more difficult.

7 Q Did you attempt to ask anyone else?

8 A Just--I just talked to one person in the
9 subdivision, is the only one I personally talked to.

10 Q Mr. Rowland, are you aware of the Department
11 of Natural Resources' rule that any home that is within
12 100 feet of the existing sewer line must be tapped in?

13 A I am aware of the regulation; yes.

14 Q And would you explain it, or discuss it a
15 bit?

16 A Well, they have a regulation, or rules, that
17 if there is a home on a septic tank within 150 feet of an
18 existing approved public sewer line, they must connect into
19 it. Their general policy is not to enforce the regulation,
20 though.

21 Q Are there any homes that would fall within
22 this rule, within this proposed area, or next to the area?

23 A There could well be a couple behind Lot 32
24 and Lot 37.

25 Q Did you investigate that?

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A That there were homes there, or whether they would hook on?

Q That there were homes there, and if they could be hooked on.

A Well, I know that there are homes in back there, there are homes there, and they have septic tanks. I have not asked them or I have not contacted those two particular houses and asked them if they wanted to tap in.

Q Turning to or referring to Exhibit 3, on the second page, it discusses the "Sugar Creek Treatment Plant," is that the same as the Christopher Plant?

A I am not really sure. I think they refer to a--at one time we were planning to build a larger plant downstream.

Q Is there--

A I am not--to answer your question, I am not really sure which plant that they refer to, because what I call the Christopher Plant, they may also call the Sugar Creek, it is the Sugar Creek Watershed, so Sugar Creek Treatment Plant could refer to the Christopher Plant, and it could refer to a new proposal and downstream.

Q But there is a Sugar Creek Treatment Plant; correct?

A Well, we have an existing plant. I call it the Christopher Plant. Now we operate in the Sugar Creek

1 Watershed, so I don't know what their intention was when
2 they put this--referred to this. They could have referred
3 to the existing plant, or they could have been referring to
4 a new larger one that was going to be built downstream.
5 Again, I didn't do the engineering on this. I didn't have
6 contact with it, when they did the design on this, so I
7 can't tell you what their intention was. It could be either
8 way.

9 MR. ENGLAND: Could I break in here for a
10 second? Well, maybe it would be a clarifying question.

11 EXAMINER PARKER: All right.

12 BY MR. ENGLAND:

13 Q How many treatment facilities do you have
14 for the South County Sewer Company, Mr. Rowland?

15 A Well, we have our Christopher Plant, and
16 there is Tam-O-Shanter at the present time, and we are
17 proposing to build a big one, or were before we had a deal
18 with MSD, to build one down by Point South, a big one.

19 Q But, I mean, factually or logically speaking,
20 can this area be served by any other treatment facility
21 other than Christopher, than what you call the Christopher
22 plant?

23 A Not right now; no.

24 Q Okay. So, to the best of your knowledge,
25 this Sugar Creek or the Sugar Creek Treatment Plant,

1 if we are talking about an existing plant, they must mean
2 the Christopher Plant, as you term it?

3 A Well, if they are talking about an existing
4 treatment plant, they would have to refer to that. The
5 permit says "... with treatment to be provided at South
6 County Sewer Company's Sugar Creek Treatment Plant," which
7 basically could mean anything.

8 MR. ENGLAND: That is all.

9 EXAMINER PARKER: Let's go off the record.

10 (Discussion off the record.)

11 EXAMINER PARKER: Okay. The hearing will
12 come to order.

13 BY MS. PECK:

14 Q Have you inspected the lines of the sewer?

15 A In Ashmount?

16 Q Un-huh; in the new area?

17 A No, I have not; MSD has.

18 Q Do you intend to?

19 A Well, if our proposed deal with MSD doesn't
20 go into effect within a short period of time, yes, we would
21 definitely inspect them. But at the present time, since
22 February of 1978, all sanitary sewer construction in our
23 area has to be approved by the State, and the Metropolitan
24 Sewer District, and us, and all of the sewer lines have to
25 have a construction permit, issued by MSD, and especially

1 by MSD, and it has to be approved by MSD. So, normally,
2 and since we were in the process of selling out to MSD,
3 normally, we have relied on their inspection temporarily.
4 And, so, if our sale is consummated, it is delineated.

5 Q Do your tariffs require you to inspect it?

6 A I think our tariffs require us to inspect our
7 sewer lines once a year, and I think they require us to take
8 some reasonable steps to make sure they are constructed
9 properly. I don't believe it says that we have to specifi-
10 cally inspect them.

11 Q Have you taken the time to go out there and
12 check them?

13 A On Ashmount?

14 Q Un-huh.

15 A No; we have not inspected Ashmount. We have
16 inspected some others, but we have not inspected that one.

17 Q Do you have confidence in the construction
18 company that is currently constructing the lines in question?

19 A Let me put it this way: I have confidence,
20 I have confidence in MSD's inspection procedures. I think
21 they do a pretty good job, and if they inspect them and
22 approve them, I would feel fairly confident they are built,
23 they are installed correctly.

24 Q What company is constructing them?

25 A I believe Berra Construction Company is, I

1 am not positive, but they do almost all of the work out
2 there.

3 Q Do you know about their reliability, or
4 how good a company they are?

5 A Well, I have my opinion. I think they are
6 average. You know, they do some good work, and then they
7 make some mistakes. They are not perfect.

8 Q What type of materials are they using in these
9 lines?

10 A Well, it is eight-inch PVC pipe. I think it
11 is--again the pipe is under MSD regulations, is what,
12 Class 35 PVC pipe.

13 Q Would you discuss a little bit the eight-inch
14 PVC pipe, what it entails?

15 A What specifically?

16 Q Oh, you know, what material it is made out of,
17 how durable is it?

18 A Well, PVC is short for polyvinyl chloride,
19 which is a plastic material, very hard, very durable,
20 resistant to most acids, and, you know, other items found
21 in the sewer lines, et cetera. It is approved across the
22 country by, I think, all state agencies, and it is commonly
23 used. The only question is the thickness or the class,
24 and MSD actually has a class that is tougher than State
25 standards. And, so, it would be--the material would be

1 superior to that required by the State Department of
2 Natural Resources.

3 Q When you say, "commonly used," could you
4 maybe state a percentage, like about how much or how many
5 sewer lines would you say are constructed of--

6 A Well, new sewer construction, I would say is
7 probably 95 percent PVC pipe. I don't know of anyone that
8 is using clay at the present time, I am sure there are,
9 but I don't know of anyone that is. I mean all of the
10 new sewer lines that I have been involved with have been
11 PVC pipe.

12 Q What other materials could you use to construct
13 the lines?

14 A The other common alternative is vitrified
15 clay pipe, which is called VCP pipe, and there is also a
16 few others, I think some asbestos, truss pipe, and a few
17 other kinds. The only two in common usage are PVC and VCP.

18 Q Is the VCP more durable than the PVC?

19 A In my opinion, it is a lot better. I would
20 prefer it by far. It is--I think it is more durable, and,
21 more important, it is much more watertight, less likely to
22 break, much easier to tap into than clay. And the lines
23 we put in, I would prefer it myself.

24 Q The PVC?

25 A The PVC; the polyvinyl chloride.

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1 Q How long do these PVC pipes last?

2 A I don't think anybody knows for sure. The
3 projections I have seen estimate it will last as long as
4 clay, but the problem you have is in determining, in answering
5 that question is, clay pipe has been documented to be well
6 over 100 years old, and working properly. So, we know clay
7 pipe will last 100 years, in most cases. Polyvinyl chloride
8 or PVC pipe has only come into usage after the World War II,
9 in the late 40's or 50's, so it has only been in use for
10 some 20 or 25 years. I know of people that have gone
11 back and checked lines that were put in 25 years ago, and
12 it was in good shape. So, it is fairly safe to assume that
13 PVC pipe will last at least 25 years. From there, they
14 have made several lab tests, projecting that this material
15 will last, you know, up to 100 years. But those projections
16 are as good as the experiments, and I don't know, you know,
17 there is no way of saying for sure. But from the best data
18 I have seen, that they would probably last as long as clay.

19 Q Are PVC pipes less expensive than the clay
20 pipes?

21 A Well, actually, the pipe itself is more
22 expensive, but when you install it, it is probably a little
23 bit less, because it is easier to install.

24 Q How much will you be paying MSD for taking--
25 strike that.

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1 A I hope so.

2 Q How much are you paying MSD for taking over--
3 one more time.

4 How much are you paying MSD for operating
5 and maintaining your company?

6 A Our agreement with MSD, our maintenance
7 agreement specifies that they will receive all of the
8 revenues, they do all of the billing, they receive all of
9 the revenues from our customers, in return for which they
10 maintain all of our facilities, and do all of the maintenance.
11 So, their payment is our revenue, whatever that may be.

12 Q Do you have any idea what that is?

13 A Oh, if you assumed that we have somewhere
14 around 500 customers a month, at 525, that is what? Take
15 five--550 times 500, would give you about 3,000 a month.

16 MR. ENGLAND: \$2,750.

17 MS. PECK: That will be all.

18 EXAMINER PARKER: Let's go off of the record.

19 (Discussion off of the record.)

20 EXAMINER PARKER: Let's take a short recess.

21 WHEREUPON, a recess was taken.

1 PURSUANT to the recess, the hearing of this
2 case was resumed, and the following proceedings were had:

3 WITNESS JAMES R. ROWLAND RESUMED THE STAND.

4 EXAMINER PARKER: The hearing will come to
5 order.

6 Any objection to Applicant's Exhibits 1
7 through 4, Ms. Peck?

8 MS. PECK: No.

9 EXAMINER PARKER: They will be received at
10 this time.

11 (AT THIS TIME APPLICANT'S EXHIBIT NOS. 1, 2,
12 3 AND 4 WERE RECEIVED IN EVIDENCE AND MADE A PART OF THIS
13 RECORD.)

14 EXAMINER PARKER: Any redirect, Mr. England?

15 MR. ENGLAND: Mr. Examiner, off of the record
16 I made reference to an additional construction permit that
17 will need to be obtained, with respect to the lift station
18 proposed to be built in the area to be annexed. It is
19 unclear now whether we have that construction permit in hand,
20 or whether it has not to date been issued.

21 In any event, could I reserve late-filed
22 Exhibit No. 5 for the purposes of submitting that construction
23 permit?

24 EXAMINER PARKER: We will reserve Applicant's
25 late-filed Exhibit No. 5 for that purpose.

1 REDIRECT EXAMINATION BY MR. ENGLAND:

2 Q Mr. Rowland, some questions were asked you
3 about PVC pipe. Do you know what the depreciation schedule,
4 as utilized by this Commission, is with respect to PVC pipe?

5 A No, I don't.

6 Q Do you know what depreciation rate is
7 applied to PVC pipe, either for South County Sewer Company
8 or Saline Sewer Company, for purposes of rate-making?

9 A Offhand, no, I don't.

10 Q Okay.

11 A I have looked at that a hundred times in our
12 reports, but I don't remember.

13 Q You don't know if it would be less than
14 two percent, do you?

15 A I would guess, from memory, I would guess
16 at one and a half percent, but that is just off of the top
17 of my head.

18 Q At one and a half percent, then,--

19 A Which would be less than two percent.

20 Q Yeah. But I mean that would probably be if,
21 what, an expected life of 66 years, perhaps?

22 A Yes.

23 Q Okay. Oh, as far as the Applicant's Exhibit
24 No. 3, DNR approval, I believe it has been cleared up off
25 of the record, but the Sugar Creek Treatment Plant referred

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1 to in that permit is the same as the Christopher Plant,
2 which you have been testifying to here today, is that
3 correct?

4 A That is correct.

5 Q And that Christopher Plant has been upgraded
6 recently by South County Sewer Company?

7 A Yes, it has.

8 Q Okay.

9 MR. ENGLAND: No other questions.

10 EXAMINER PARKER: Anything further of Mr.
11 Rowland?

12 MS. PECK: No.

13 EXAMINER PARKER: Thank you, Mr. Rowland.
14 You may step down.

15 (Witness excused.)
16

17 EXAMINER PARKER: Does that complete Applicant's
18 presentation?

19 MR. ENGLAND: Yes, sir.

20 EXAMINER PARKER: Does the Staff have any
21 witnesses?

22 MS. PECK: Yes, we do.

23 I would like to call Jim Merciel.

24 EXAMINER PARKER: Raise your right hand, Mr.
25 Merciel.

(At this time Mr. Jim Merciel was duly sworn.)

EXAMINER PARKER: Be seated, please.

STAFF'S EVIDENCE:

J I M M E R C I E L, called as a
witness in behalf of the STAFF, being
duly sworn, testified as follows:

DIRECT EXAMINATION BY MS. PECK:

Q Would you please state your name for the
record.

A Jim Merciel (spelling) M-e-r-c-i-e-l.

Q And your business address.

A My business address is Post Office Box 360,
Jefferson City, Missouri 65102.

Q And where are you employed?

A I am employed at the Public Service Commission.

Q In what capacity?

A As an Engineer in the Water and Sewer
Department.

Q For how long have you been employed there?

A About two and a half years.

Q Would you please give us your educational
background?

A I have a Bachelor's Degree from the University
of Missouri at Rolla, in Civil Engineering.

Q Do you have any other experience, other than

Missouri Public Service Commission

1 with the Commission?

2 A Well, I worked for a construction company
3 for about six months before coming to this Commission here.

4 Q Are you familiar with sewer systems?

5 A Yes, I am.

6 Q Are you aware of South County Sewer Company's
7 application?

8 A Yes.

9 Q Have you had an opportunity to review the
10 application?

11 A Yes.

12 Q In your opinion, do you think that South
13 County Sewer Company has the financial and technical
14 capability to serve the prospective service area?

15 A Yes, I do.

16 Q Regarding this application, will there need
17 to be any changes to the tariff sheets of South County now
18 on record?

19 A Yeah. The Staff will recommend that the
20 Company file their legal description, to amend the legal
21 description that is currently in the tariff. And, also,
22 they will need to upgrade the map that is in the tariff,
23 of the new service area.

24 MS. PECK: I have no further questions.

25 EXAMINER PARKER: Mr. England?

1 MR. ENGLAND: No cross.

2 EXAMINER PARKER: Thank you, Mr. Merciel.

3 You may step down.

4 (Witness excused.)

5
6 EXAMINER PARKER: Anything further today?

7 MR. ENGLAND: Not on behalf of the Applicant,

8 Mr. Examiner.

9 EXAMINER PARKER: Do you desire to waive
10 oral argument and reading of the transcript?

11 MR. ENGLAND: I do not have any desire to
12 orally argue this case, and I have already executed a
13 reading of the transcript.

14 MS. PECK: Yes, Mr. Examiner.

15 EXAMINER PARKER: And if there is nothing
16 further, we will await the submission of Applicant's
17 late-filed Exhibit No. 5.

18 Thank you.

19 MR. ENGLAND: Thank you.

20 WHEREUPON, the hearing of this case was
21 concluded.

Missouri Public Service Commission

I N D E X

APPLICANT'S EVIDENCE:

PAGE

JAMES R. ROWLAND

Direct Examination by Mr. England

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Cross-Examination by Ms. Peck

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Redirect Examination by Mr. England

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STAFF'S EVIDENCE:

JIM MERCIEL

Direct Examination by Ms. Peck

41

E X H I B I T S

APPLICANT'S EXHIBITS:

MARKED

RECEIVED

Exhibit No. 1

Map of service area

3

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Exhibit No. 2

Description of Service Area to be
Annexed

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Exhibit No. 3

Construction Permit

3

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Exhibit No. 4

Portion of Sanitary Sewer Construction
Plans

3

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Exhibit No. 5

Construction Permit

*

*Late-Filed