

STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

At a hearing of the Public Service
Commission, held at Jefferson City,
Missouri, on the 19th day of
March, 1979.

In the matter of the application)
of Sunrise Sanitation Systems, Inc.,)
for permission, approval, and)
certificate of convenience and)
necessity authorizing it to construct,)
install, own, operate, control,) CASE NO. SA-79-89.
manage, and maintain a sewer system)
for the public located in an)
unincorporated area in Boone)
County, Missouri.)

BEFORE:

PAUL W. REIMNITZ, Presiding,

CHIEF HEARING EXAMINER.

REPORTED BY:

Barb Skalla

Missouri Public Service Commission

APPEARANCES:

CULLEN CLINE, Attorney at Law,
32 North Eighth Street,
Columbia, Missouri 65201,

FOR: APPLICANT, SUNRISE
SANITATION SYSTEMS, INC.

GARY W. DUFFY, Assistant General Counsel,
Post Office Box 360,
Jefferson City, Missouri 65102,

FOR: STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION.

1 BE IT REMEMBERED, at a hearing of the Public
2 Service Commission, held at the time and place mentioned
3 in the title page hereof, the following proceedings were
4 had:

5 (Written Entries of Appearance Filed.)

6 EXAMINER REIMNITZ: Let's go on the record.
7 The Commission has scheduled this hearing at this time to
8 hear Case No. SA-79-89, in the matter of the application of
9 Sunrise Sanitation Systems, Incorporated, for permission,
10 approval, and certificate of convenience and necessity
11 authorizing it to construct, install, own, operate, control,
12 manage, and maintain a sewer system for the public located
13 in an unincorporated area in Boone County, Missouri.

14 I would appreciate it if the parties present
15 would make their appearance for the record at this time.

16 MR. CLINE: For the Applicant, Sunrise Sani-
17 tation Systems, Inc., Cullen Cline, 32 North Eighth Street,
18 Columbia, Missouri.

19 MR. DUFFY: Gary W. Duffy, Assistant General
20 Counsel, P. O. Box 360, Jefferson City, Missouri, 65102,
21 appearing for the Staff of the Public Service Commission.

22 EXAMINER REIMNITZ: Before we proceed, are
23 there any matters the parties would like to bring to the
24 attention of the Commission?

25 MR. CLINE: I don't have any.

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1 MR. DUFFY: I don't think so.

2 EXAMINER REIMNITZ: Would all those persons
3 present knowing themselves to be witnesses, please stand,
4 raise your right hand, and be sworn.

5 (At this time four witnesses were duly sworn.)

6
7 EXAMINER REIMNITZ: Would you like to call
8 your first witness?

9 MR. CLINE: Yes, sir. The first witness will
10 be Robert Bassett.

11
12 APPLICANT'S EVIDENCE:

13 ROBERT BASSETT, called as a witness
14 in behalf of the APPLICANT, being duly sworn,
15 testified as follows:

16 DIRECT EXAMINATION BY MR. CLINE:

17 Q Mr. Bassett, what's your address, sir?

18 A 27 Southern Drive, Columbia, Missouri.

19 Q Now, what, if any, offices do you hold in
20 the Applicant corporation's structure?

21 A I'm the President of the corporation.

22 Q Does Sunrise Sanitation Systems, Inc., do any
23 business or own anything at this time, sir?

24 A No, it doesn't.

25 Q You're awaiting PSC approval before beginning

1 sewer service as requested in the application; is that
2 correct?

3 A Yes, sir.

4 Q Let's get to the area that we're talking about.
5 What is this area that you plan to serve?

6 A It's a subdivision in Boone County. At the
7 present time, there's approximately 225 homes in the sub-
8 division being served.

9 Q You are actually serving now?

10 A The system is serving the subdivision, yes.

11 Q Who owns the system now?

12 A Bassett Construction Company.

13 Q Are you also an officer in that corporation?

14 A Yes, I am. I'm President.

15 Q If the PSC sees fit to grant you certification
16 to operate, then you plan to convey from Bassett Construction
17 Company, Inc., all the lines and existing facilities, sewage
18 lagoons, to Sunrise Sanitation Systems, Inc.; is that correct?

19 A That's correct.

20 Q What do you have now? Could you tell me a
21 little bit about the physical plant? What is it now?

22 A We have at the present time four lagoons;
23 one is a double-cell and two single-cell lagoons, serving
24 the area.

25 Q What about the lines? Are they all in place
and complete?

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1 A Yes, they are.

2 Q Do you have access to the lines through man-
3 holes?

4 A Yes, we have access manholes. We have ease-
5 ments, access to the whole system.

6 Q How old is the system? Can you tell me
7 approximately?

8 A The oldest part of the system would be approxi-
9 mately 14 years old.

10 Q And how long has your corporation, Bassett
11 Construction Company, owned and operated the system?

12 A A little bit over two years.

13 Q How did you come to acquire this system?

14 A We bought the stock of Sunrise, Incorporated,
15 which owned the system at that time, owned the land and the
16 system.

17 Q Now, Bassett Construction Company has been
18 operating the lines and lagoons since the purchase from Sun-
19 rise; is that correct?

20 A That's correct.

21 Q And you've made no charges to anyone?

22 A That's right.

23 Q You allege or you state in your pleadings
24 that this is in an unincorporated area of Boone County; is
25 that correct?

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1 A. That's correct.

2 Q. Do you overlap in any way any municipalities
3 or any other entities, municipal entities, that may provide
4 a sewer service?

5 A. No, we don't.

6 Q. Now, Boone County has a county sewer authority,
7 don't they?

8 A. Yes, they do.

9 Q. But, at present, are they offering any ser-
10 vices or are they active in any way, to your knowledge?

11 A. No, they're not.

12 Q. Now, did you make application to the county
13 court for a franchise to operate a sewer system?

14 A. Yes, we did.

15 Q. And that was denied; is that correct?

16 A. That's correct.

17 Q. My understanding is that the court denied your
18 application, stating they do not franchise or license or
19 in any way provide any sewer services within the county; is
20 that correct?

21 A. That's correct.

22 Q. Now, after your acquisition of Bassett Con-
23 struction Company and after maintaining and furnishing sewer
24 service for a period of time, you incorporated Sunrise Sani-
25 tation Systems, Inc., for the purpose of furnishing sewer

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1 service to that subdivision; is that true, sir?

2 A That's true.

3 Q In the past two years that you've owned the
4 subdivision, have the number of units increased there?

5 A Yes, they have.

6 Q And what was it when you bought it? How many
7 houses were existing in the system when you purchased the
8 remaining lots in the subdivision and the lines and sewage
9 lagoons?

10 A At that time, there was approximately 150
11 units.

12 Q 150; is that correct?

13 A That's correct.

14 Q And there have been, what, 75 units added
15 since then, approximately?

16 A Yes, that's true.

17 Q And you serve those new units also?

18 A That's right.

19 Q You attached a copy of the certificate of
20 incorporation for Sunrise Sanitation Systems, Inc., to the
21 pleadings. That corporation, you say, is dormant, pending
22 PSC authorization; is that correct?

23 A That's true.

24 Q Now, with regard to the area sought to be
25 served, you've testified that it is in an unincorporated

1 area and does not overlap any other entities, municipal
2 entities, that may provide a sewer service.

3 You've attached two exhibits to the pleadings,
4 the first being Exhibit 3, which is a sketch drawn on a
5 topographical map showing the approximate location of the
6 area to be served.

7 Then, as Exhibit 4, you've attached a metes
8 and bounds. Let me make sure I'm right on that exhibit.

9 No. As Exhibit 3, you have a sketch and a
10 metes and bounds, a rather lengthy metes and bounds descrip-
11 tion.

12 Do those correctly reflect the area you seek
13 to serve, sir?

14 A Yes, they do.

15 Q Have you had a feasibility study done on this?

16 A Yes, we have.

17 Q And you have furnished that to the Commission
18 as Exhibit 4; is that correct?

19 A That's true.

20 Q Now, when you purchased the subdivision from
21 its previous owner--by the way, who was the previous owner?

22 A The previous owner was Sunrise Estates of
23 Columbia, Incorporated.

24 Q They had a permit to operate the sewage lagoons;
25 is that correct?

1 A That's true.

2 Q That permit was issued by the Division of
3 Natural Resources?

4 A Yes.

5 Q And you have attached that permit as Exhibit
6 6 to your application; is that correct, sir?

7 A That's true.

8 Q That has been transferred. It shows to Columbia
9 Sunrise Estates, Inc.

10 Have you caused that to be transferred to
11 Bassett Construction Company?

12 A Yes, sir.

13 Q You're operating that as Bassett Construction
14 Company. And Sunrise Sanitation Systems, Inc., hasn't done
15 anything yet, because you haven't been authorized; is that
16 correct?

17 A That's true.

18 Q Tell me a little bit about the operation of
19 that system with regard to the permit. I notice that you
20 have certain parameters that you must meet in your effluent
21 limitations and that you have certain monitoring requirements.
22 Have you made your monitoring requirements?

23 A Yes, we have.

24 Q And, with your effluent, have you made your
25 reports to the Division of Natural Resources concerning

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1 those monitoring requirements and your effluent limitations?

2 A Yes, we have.

3 Q Now, your system consists of lagoons, right?

4 A That's right.

5 Q And you have how many single-stage lagoons?

6 A Two single-stage.

7 Q And how many double-stage lagoons?

8 A One double.

9 Q What is it you want to do with these lagoons?

10 Are you going to try and keep them the way they are, or do
11 you plan to do something with them?

12 A We hope to upgrade them, to put in mechanical
13 treatment facilities on one and hopefully upgrade the other
14 two at some later date.

15 Q And how would they be upgraded? By aeration?

16 A We haven't done a study on it yet. Either
17 by aeration or mechanical facilities.

18 Q Why is it that you want to upgrade the system?

19 A We want to bring it up to the standards or
20 to get above the standards of the Department of Natural
21 Resources for the aesthetic value of the subdivision, to
22 do away with the single cells and to put in a mechanical
23 plant or a better aeration system.

24 Q Do you plan to continue residential construc-
25 tion in the area?

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1 A Yes, I do.

2 Q How many people are developing that area?
3 Just you or--

4 A Just myself, yes.

5 Q You're selling direct to new home buyers; is
6 that correct?

7 A That's correct.

8 Q How many units do you plan to add per year,
9 do you know?

10 A In the range of 30 to 40 units per year.

11 Q That was your original projection when you did
12 the feasibility study; is that correct?

13 A That's correct.

14 Q And are you pretty close to that?

15 A Yes, we are.

16 Q Is there any other system that could serve
17 this area? If you didn't provide the sewer service or if
18 Sunrise Sanitation Systems were not authorized, who would
19 provide the sewer service?

20 A There is no other service.

21 Q Are the lots big enough where you could use
22 any other alternative system, such as individual treatment
23 plants or septic tanks or anything of this sort?

24 A No, they're not.

25 Q All the houses that are in the subdivision

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1 are currently hooked to your lines; is that correct?

2 A That's true.

3 Q Have you ever resided in the subdivision?

4 A Yes, I have.

5 Q Are you currently there?

6 A Yes.

7 Q How long have you lived there?

8 A About 13 years.

9 Q Do you own property in the subdivision?

10 A No. Right at the moment, I don't, personal
11 property.

12 Q How many undeveloped lots do you have, do you
13 know?

14 A Bassett Construction owns approximately 220
15 undeveloped lots.

16 Q But you reside in the subdivision?

17 A Yes.

18 Q Now, you've provided this service free of
19 charge for the two years that you've owned the subdivision.
20 Do you feel that you can continue to do that?

21 A No, I can't.

22 Q You're asking the Commission to give its per-
23 mission and approval for operation by Sunrise Sanitation
24 Systems, Inc., of a private sewer company; is that correct?

25 A That's correct.

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1 Q You're asking that a certificate of convenience
2 and necessity be issued which will authorize you to complete
3 the sewer system, improve it, and upgrade it as necessary
4 so that you meet the Division of Natural Resources require-
5 ments; that you want to be able to manage and control this
6 system; and you're asking that an interim rate charge be
7 set to finance it; is that correct?

8 A That's correct.

9 Q One of the requirements would be that you
10 would have to maintain a 24-hour phone answering service
11 so that if someone would have a problem with the sewer system,
12 they would have a contact point. Do you understand that?

13 A Yes, I do.

14 Q And would you be able to provide that?

15 A Yes, we would.

16 Q Does the corporation plan to have an office
17 located in the subdivision?

18 A Yes, we do.

19 Q What would that office address be?

20 A 27 Southern Drive.

21 Q Will that office be staffed during normal
22 business hours?

23 A Yes, it will.

24 MR. CLINE: I believe that's all the questions
25 I have.

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1 CROSS-EXAMINATION BY MR. DUFFY:

2 Q Mr. Bassett, how long have you been in the
3 construction business or the developing business, whatever
4 it is?

5 A About 26 months, a little over two years.

6 Q What did you do before that?

7 A I worked for IBM as a field engineer. Now,
8 the corporation--or I've been in the business as a corporation
9 that length of time. I've actually worked in the construction
10 industry about 12 years.

11 Q And primarily home construction?

12 A Yes.

13 Q Your company built the 75 homes that have
14 been added since you purchased the subdivision?

15 A Not entirely. There's been, I would guess,
16 8 to 10 built by other people. So we built approximately
17 60, 65 homes.

18 Q But your construction company owns all of the
19 undeveloped lots in the subdivision?

20 A That's true, yes.

21 Q Are the boundaries of the subdivision also
22 the boundaries of the area sought to be certificated?

23 A That's true.

24 Q The office of the sewer company at 27 Southern
25 Drive, is that also the office of the construction company?

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1 A Yes, it is.

2 Q Do you have a full-time bookkeeper for your
3 construction company?

4 A Yes, we do.

5 Q Will he or she be handling the billing and
6 records of the sewer company also?

7 A Mr. Harry Winfrey is our accountant, who will
8 take care of all the bookkeeping. We will do the billings
9 out of the office at 27 Southern Drive.

10 Q Have you decided whether you're going to
11 bill monthly or quarterly yet?

12 A No, we haven't.

13 Q As part of being regulated by the Commission,
14 the Commission requires the maintenance of continuing property
15 records. Do you agree to keep those continuing property
16 records in accordance with the regulations of the Commission?

17 A Yes, we do.

18 Q You mentioned that you were going to or that
19 you had plans to upgrade some of the lagoons.

20 Do you have any time schedule worked out on
21 when you're going to do the initial construction?

22 A Partially. Not the subdivision as a whole.
23 We hope to upgrade one of the lagoons this year with a
24 mechanical system.

25 Q So that you would have a mechanical treatment

1 plant in operation probably by the end of the construction
2 season this year?

3 A That's true.

4 Q Now, I'll ask you this question; and if you
5 want your accountant to handle it, just say so.

6 But what I'm interested in is the structure
7 of the transaction between the construction company to the
8 sewer company for any property that will be used in the sewer
9 company. Do you understand my question?

10 A I don't, no.

11 Q Is the sewer company going to pay the construc-
12 tion company any money when any property owned by the con-
13 struction company is transferred to the sewer company? And,
14 again, if you want to defer that question to your accountant,
15 that would be fine. I'll ask him.

16 A No, I don't think we have.

17 Q Do you have that worked out?

18 A Yes. There will be no property, as such,
19 conveyed, I mean, that there will be a charge for.

20 Right, Harry? Could you answer better than I?

21 EXAMINER REIMNITZ: We're going to have a
22 little problem here. We'll give him his chance in a few
23 moments.

24 Let's go off the record.

25 (Off-the-record discussion.)

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1 EXAMINER REIMNITZ: Let's go back on the
2 record.

3 BY MR. DUFFY:

4 Q Mr. Bassett, has your construction company
5 constructed any trunk sewer lines in the period of time in
6 which you've owned this particular subdivision?

7 A Yes, it has.

8 Q What has been the tax treatment of those
9 dollars that you expended?

10 A They've been charged off to the lots, expensed
11 to the lots.

12 Q Now, do I understand correctly that you do
13 not plan to charge connection fees, per se, as a charge by
14 the sewer company; is that correct, that you will just add
15 the cost of extending mains into the price of the homes that
16 you sell?

17 A Yes.

18 Q Do you know the name of the person who was
19 behind--was it Sunrise Estates? The previous owner of the
20 subdivision, do you know who that was?

21 A I bought the stock from Vincel Sapp.

22 Q The company plans to buy a mechanical treat-
23 ment plant in the near future; is that correct?

24 A That's correct.

25 Q How is that purchase going to be financed,

1 do you know?

2 A Bassett Construction will finance it through
3 the bank for Sunrise Sanitation Systems.

4 Q Are you aware of the statutory provision that
5 the sewer company cannot mortgage or pledge any of its assets
6 without the permission of the Commission?

7 A Yes.

8 Q And are you also aware of the statutory pro-
9 vision that the sewer company cannot borrow any money on a
10 long-term basis? That is, anything that can come due within
11 a period shorter than one year is without permission of the
12 Commission.

13 A I know now, yes.

14 Q That the sewer company can borrow short-term
15 money becoming due in less than one year without permission
16 of the Commission, but anything longer than one year has
17 to have permission of the Commission?

18 A Yes.

19 Q Who's going to do the maintenance for the
20 sewer company?

21 A The maintenance will be provided by Clark
22 Campbell of Environmental Dynamics or T&T Plumbing.

23 Q He's a plumber?

24 A Yes.

25 Q Will that be on a contract basis, a retainer,

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1 or will you pay him by the event?

2 A On a contract basis.

3 Q I believe your attorney brought out that there
4 would be a 24-hour number that customers could call if they
5 have a problem. Will there be somebody there 24 hours a day?

6 A Yes. We'll probably get an answering service
7 to take care of that, some service.

8 Q And I take it that number will be printed on
9 the bill so the customer knows who to call?

10 A Yes, that's true.

11 Q So they'd be guaranteed of an answer by call-
12 ing that number? There wouldn't be any need for an additional
13 number if there were no answer at that number?

14 A That's true, yes.

15 Q Do you have any plans at this time for extend-
16 ing the certificated area?

17 A No, we don't.

18 Q Do you own any land adjacent to the area
19 sought to be certificated?

20 A No.

21 MR. DUFFY: That's all the questions I have
22 at this time.

23 QUESTIONS BY EXAMINER REIMNITZ:

24 Q Mr. Bassett, I just have one area I'd like
25 to inquire about; and that is: It appears to me you have

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1 approximately 225 residential units already connected on the
2 system that you seek authority to operate as a sewer company?

3 A That's true.

4 Q Have you had any reaction from any of those
5 present people regarding your proposed--

6 A No, I haven't. I've had no reaction.

7 Q Do you know if any of those 225 people are
8 aware that you are seeking to establish a sewer company to
9 provide their sewer service?

10 A Yes. I know that I have talked personally
11 with a few of them, so I know some of them are aware.

12 Q But you don't know whether they like the idea
13 or dislike the idea or--

14 A I have heard no objections.

15 EXAMINER REIMNITZ: Thank you.

16 Anything further of this witness?

17 MR. DUFFY: Let's go off a second.

18 EXAMINER REIMNITZ: Let's go off the record.

19 (Off-the-record discussion.)

20
21 EXAMINER REIMNITZ: Back on the record.

22 FURTHER CROSS-EXAMINATION BY MR. DUFFY:

23 Q Mr. Bassett, are you aware of the recom-
24 mendation of the Staff that rates be set for an interim
25 period of at least 18 months at the price of \$6.05 per month?

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1 A Yes, I am.

2 Q Is that amount agreeable to you?

3 A Yes, it is.

4 Q Is it also agreeable to you that those rates
5 be put in, subject to refund, that in the event that it's
6 determined after a full audit of the company that \$6.05
7 rate was excessive by a certain amount, that that excess
8 portion could be refunded to the customers who paid the
9 excess portion?

10 A Yes, it is.

11 MR. DUFFY: That's all I have.

12 EXAMINER REIMNITZ: Anything further?

13 (No response.)

14 EXAMINER REIMNITZ: Thank you, Mr. Bassett.

15 (Witness excused.)

16

17 MR. CLINE: I call Jim Reed as our next
18 witness.

19

20

21

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23

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1 J I M R E E D, called as a witness in behalf
2 of the APPLICANT, being duly sworn, testified
3 as follows:

4 DIRECT EXAMINATION BY MR. CLINE:

5 Q Please state your name for the record, please,
6 sir.

7 A James S. Reed.

8 Q Where do you live, sir?

9 A 1705 Oakwood Court, Columbia, Missouri.

10 Q By whom are you employed?

11 A By Bassett Construction Company.

12 Q Now, you work as an engineer independently,
13 don't you, sir?

14 A Yes, I do.

15 Q What's the name of that corporation?

16 A Engineering Surveys and Services.

17 Q And you're here at the request of Bob Bassett
18 to testify concerning his application for Sunrise Sanitation
19 Systems, Inc.; is that right?

20 A Yes.

21 Q Are you familiar with the subdivision sought
22 to be served and described in Exhibits 2 and 3?

23 A Yes, I am.

24 Q And how long have you worked with that sub-
25 division approximately?

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1 A Six or eight years, something in that nature.

2 Q So your experience predates Mr. Bassett's
3 ownership of the undeveloped land, the sewer lines, and
4 lagoons?

5 A Yes, it does.

6 Q Now, could you tell us what your education
7 and training is, sir?

8 A I have a BS in Engineering from the University
9 of Missouri and have had my own consulting firm for 25 years.

10 Q Are you licensed professionally by--

11 A Yes, licensed professional engineer.

12 Q With regard to this application, you've heard
13 Mr. Bassett describe the physical plant as being a two-
14 stage lagoon and two single-stage lagoons. Is that your
15 understanding, sir?

16 A Yes.

17 Q You've physically examined these, I suppose,
18 since the time we began this application, haven't you?

19 A Members of my staff have, yes.

20 Q Now, were you responsible for the feasibility
21 study which is attached as Exhibit 4?

22 A Yes.

23 Q With regard to that feasibility study, what
24 do you project as upgrade or improvement for this system, sir?

25 A We have already planned a packaged plant to

1 replace this south lagoon. And the northwest and northeast
2 lagoons are going to require further study to determine what
3 needs to be done with them.

4 Q Have you done any preliminary work on the
5 two north lagoons?

6 A Only the most preliminary to prepare the
7 feasibility study.

8 Q With regard to the packaged plant on the other
9 lagoon, could you tell me a little more about that?

10 A We started with an original plan to add an
11 aerated lagoon on the south disposal system. And, with the
12 advent of a new company in Columbia and the availability of
13 services for a packaged plant, the packaged plant became
14 economically feasible to put in; so we changed direction and
15 are moving toward a packaged plant in that area.

16 Q Have you made any application for construction
17 permits?

18 A Yes, application has been made. The public
19 notice has been rendered, and we expect a construction permit
20 any day.

21 Q How far along are you? After the issuance
22 of the construction permit, approximately how long do you
23 expect before you could begin construction and then operation,
24 also?

25 A The complete engineering plans were submitted.

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1 And I would anticipate that, just as soon as Mr. Bassett
2 is physically able, he will commence this construction.

3 Q The lagoons are currently operating under
4 a permit, which has been attached as Exhibit 6 and issued
5 by the Clean Water Commission and authorized by the Division
6 of Natural Resources.

7 How are those lagoons doing? Are they meeting
8 the effluent limitations?

9 A They are marginal. They fall in and out.
10 Remedial activity has been taken on them to try to keep them
11 in.

12 We agreed with the Department of Natural
13 Resources that just as soon as a sewer company existed, that
14 a full feasibility study and engineering report would be
15 submitted to DNR to determine what to do with these two
16 lagoons.

17 Q Is that your plan now?

18 A Yes. But, until such time as Mr. Bassett had
19 a company, we told them there was nothing he could do along
20 these lines.

21 Q I note that, in your feasibility study,
22 you state that there are 125 units in the area to be served.
23 Has that been amended now?

24 A Yes. It's up to about 225 now.

25 Q At the time you prepared this study, that was

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1 an accurate figure; is that correct?

2 A Yes.

3 Q Do you think that the packaged plant that
4 you have planned to replace the two-stage lagoon will be
5 adequate to serve that portion of the subdivision that it's
6 currently serving?

7 A Yes, it will.

8 Q What's the benefit of a mechanical treatment
9 plant as opposed to a sewage lagoon?

10 A Well, there's several benefits; aesthetics,
11 better control of your processing, land savings, things of
12 this nature. A mechanical piece of equipment is one of the
13 drawbacks, because then you have to have the maintenance,
14 which Mr. Bassett mentioned will be furnished by a reputable
15 plumbing company.

16 Q Have you done any cost studies or anything
17 on this planned improvement?

18 A Yes. On this particular improvement, it's
19 very close to the cost of the two-cell aerated lagoon that
20 we had planned. The cost difference was so slight that we
21 felt the advantages of the mechanical system were a better
22 move.

23 Q What was the planned cost of the improved
24 system as with regard to that lagoon?

25 A 25,000 is what we have in our feasibility

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1 study for the upgrading.

2 Q And that is for that portion of the system?

3 A For the south system, yes.

4 Q You say that you are planning feasibility
5 studies on the north portion of the system?

6 A Yes.

7 Q Do you have any projections as to where that
8 might go? Do you know whether that's going to be aeration,
9 or do you know whether that's going to be a packaged plant,
10 or is it too early to tell?

11 A It's too early to tell with any-- I mean,
12 I could not make an intelligent statement on that.

13 Q Let me ask you this: Mr. Bassett said that,
14 if he didn't provide the sewer service, there wasn't anybody
15 else that could. Is that your understanding?

16 A Yes.

17 Q Is there any other sewer alternatives in that
18 area?

19 A Not that I know of.

20 Q Are those lots big enough to support septic
21 tanks under county zoning?

22 A A few are, but most of them are not. They're
23 different sizes.

24 Q Would it be practical to consider each person
25 providing their own sewage?

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1 A I would say not.

2 Q Are there any other municipalities? What
3 about the county sewage system? How far along is that?

4 A About zero.

5 Q Are they providing any service anywhere in
6 Boone County?

7 A The service they are providing is a monitoring
8 and review of plans and developments and extensions of systems,
9 such as what we submitted to DNR goes through them for their
10 review and approval. They get a copy of the plans, and then
11 it goes to DNR.

12 Q Have we done that here?

13 A We have.

14 Q Have they indicated any timetable where they
15 might be able to provide sewer service to the area?

16 A No.

17 Q As a matter of fact, they don't provide any
18 sewer service and don't want to apparently?

19 A None whatsoever.

20 MR. CLINE: That's all the questions I have.

21 CROSS-EXAMINATION BY MR. DUFFY:

22 Q Mr. Reed, you indicated you've been familiar
23 with this system for the last six or eight years; is that
24 correct?

25

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1 A Yes.

2 Q What kind of problems have the customers
3 experienced with the sewer system in the time that you've
4 been associated with them?

5 A I can't answer that, because I have not been
6 involved with the maintenance of the system, strictly the
7 engineering. And what's happened, I do not know.

8 Q Are you aware of any problems?

9 A I'm not aware of any problems, no.

10 Q Do you know what kind of pipe the system is
11 made up of?

12 A The high majority of it is vitrified clay.
13 And then I think recently, since the state started approving
14 plastic, a little plastic pipe has been put in.

15 Q Do you know who originally installed the pipe?

16 A There have been three or four owners of the
17 subdivision over the years and, I would say, numerous con-
18 tractors. I would think that Vincel Sapp probably put in the
19 vast majority of it, but I can't speak with authority.

20 Q Is there any assurance that the system was
21 constructed according to good engineering practices?

22 A The old Clean Water Commission and now the
23 Department of Natural Resources, you know, issues permits
24 for construction and operation and so on. So, whatever
25 control they've furnished, why, that would be the control

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1 that was on the system.

2 Q Did I understand you to say that you had
3 already purchased or contracted for a packaged treatment
4 mechanical plant?

5 A No. We have prepared the plans, and they're
6 in for approval. We expect a construction permit any day.
7 And then, dependent on getting a sewer company founded, Mr.
8 Bassett, I would presume, would immediately move to construct
9 this.

10 Q Have you priced mechanical treatment plants?

11 A Roughly, yes.

12 Q What kind of prices have you--

13 A We're someplace in the \$30,000 range.

14 MR. DUFFY: That's all I have.

15 EXAMINER REIMNITZ: I have no questions.

16 Thank you.

17 (Witness excused.)

18 _____
19 MR. CLINE: Harry Winfrey.

1 H A R R Y W I N F R E Y, called as a witness

2 in behalf of the APPLICANT, being duly sworn,
3 testified as follows:

4 DIRECT EXAMINATION BY MR. CLINE:

5 Q State your name for the record, please, sir.

6 A Harry C. Winfrey.

7 Q Where do you reside, sir?

8 A Columbia, Missouri.

9 Q Directing your attention to the application
10 of Sunrise Sanitation Systems, Inc., for certification and
11 authorization to own and operate a sewage treatment system
12 in Boone County, what, if anything, have you done with regard
13 to this, sir?

14 A I prepared the exhibit with the accounting
15 projections on it, based on the engineer's estimates and the
16 projected need for capital.

17 Q What is your professional education and train-
18 ing, sir?

19 A I'm a graduate of the University of Missouri
20 and a Certified Public Accountant.

21 Q Are you currently in practice in Columbia?

22 A Yes, I am.

23 Q And you were retained by Bob Bassett on behalf
24 of Sunrise Sanitation Systems, Inc., to prepare that portion
25 of the study; is that correct?

1 A That's correct.

2 Q With regard to that application and the request
3 for permission to charge rates, you've heard the Staff state
4 that they will recommend an interim rate of \$6.05, based on
5 Mr. Bassett's application for that amount.

6 Will that be a reasonable rate in view of the
7 expenditures Mr. Bassett and the corporation will experience?
8 And, if it's not, you can tell me it's high or low. I don't
9 care.

10 A Based on the change in the method we're going
11 to have to operate the sewer company, I don't know. I can't
12 tell.

13 Q Let's look at it from the consumers' side.
14 Do you think that would be fair to someone that had to pay
15 \$6.05 a month for sewage? Do you think that's fair to them?

16 A Yes. I think it's a bargain.

17 Q Do you have any idea what comparable sewer
18 rates are in the municipal areas there?

19 MR. DUFFY: Objection. Irrelevant.

20 MR. CLINE: I'll withdraw it.

21 I have no further questions of the witness.

22 CROSS-EXAMINATION BY MR. DUFFY:

23 Q Mr. Winfrey, how long have you been employed
24 by Mr. Bassett?

25 A He's been a client for two and a half years,

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1 I would estimate.

2 Q Have you been doing accounting work for his
3 construction company?

4 A Yes, sir.

5 Q And you heard him testify previously that the
6 cost of construction regarding sewers in this subdivision had
7 been expensed as a part of the cost of doing business of his
8 construction company.

9 Is that also your understanding of the tax
10 treatment of those expenses of the sewer company?

11 A Expensed as a matter of semantics. We included
12 it as a part of the construction cost of the lots, which are
13 part of his inventory, which eventually become a cost of
14 goods sold, yes.

15 Q But they have been expensed as opposed to
16 being capitalized?

17 A Yes.

18 MR. DUFFY: That's all I have.

19 EXAMINER REIMNITZ: Thank you, Mr. Winfrey.

20 (Witness excused.)

21 _____
22 MR. CLINE: I have no further witnesses.

23 However, I'd like to offer into evidence Exhibits 1 through
24 7.

25 MR. DUFFY: Is that all except that thing that
he did?

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1 MR. CLINE: That's included.

2 MR. DUFFY: It's in the feasibility study?

3 MR. CLINE: It's in the feasibility study.

4 EXAMINER REIMNITZ: Let's go off the record
5 here.

6 (Off-the-record discussion.)

7

8 EXAMINER REIMNITZ: Back on the record.

9 MR. CLINE: I offer Exhibits 1 through 7.

10 EXAMINER REIMNITZ: Those were the ones that
11 were attached to the application?

12 MR. CLINE: Yes, sir.

13 EXAMINER REIMNITZ: Is there any objection
14 to that?

15 MR. DUFFY: None.

16 EXAMINER REIMNITZ: Those exhibits will be
17 received.

18 (AT THIS TIME APPLICANT'S EXHIBITS NOS. 1
19 THROUGH 7, INCLUSIVE, WERE RECEIVED IN EVIDENCE AND MADE
20 A PART OF THIS RECORD.)

21 MR. CLINE: I have no further evidence.

22 MR. DUFFY: The Staff calls Jim Merciel.

23

24

25

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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 MR. DUFFY:

Q State your name for the record, please.

A Jim Merciel.

Q By whom are you employed?

A I'm employed by the Public Service Commission.

Q In what capacity?

A I work in the water and sewer department as
an engineer.

Q Have you had occasion to review the application
of Sunrise Sanitation Systems, Inc., for a certificate in
this case?

A Yes, I have.

Q Have you analyzed the feasibility study that
the company submitted?

A Yes.

Q Have you reached a determination as to what
interim rates that the Staff would recommend?

A Well, based on their projected expenses and
also on our experience with other sewer companies of this
type, we feel that the proposed \$6.05 per month as an interim
rate is reasonable.

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1 Q Do you have a recommendation of the Commis-
2 sion with regard to whether that rate should be subject to
3 refund or not?

4 A Well, first of all, this will be an interim
5 rate for--I guess we'll put 18 months on it. We'd also like
6 to see a refund provision so that in the next rate case,
7 if we would have occasion to review some of these expenses,
8 if the Commission feels a refund would be due the customers,
9 then it can be so done.

10 Q Have you examined the boundaries of the proposed
11 certificated area?

12 A Yes, I have. I've looked at the map, and I've
13 gone through the legal description. And it looks like--

14 Well, the Staff would be in favor of this
15 company serving their proposed area.

16 Q Are you aware of any problems with regards
17 to financing any improvements of the sewer company?

18 A I'm not aware of any problems.

19 Q As far as you know, the company will be will-
20 ing and able to make the necessary improvements?

21 A Yes. I might point out, the company--well,
22 the sewer lines, as far as extensions, will be expensed with
23 lot sales. And treatment facilities and the upgrading of
24 existing facilities will be done as an investment on the
25 company's part.

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1 Q Will the Staff provide assistance to the com-
2 pany in setting up their books and records?

3 A Yes, the Staff will do that.

4 Q I believe you mentioned something about an
5 18-month period. Is that how long you recommend that the
6 rates be in effect on an interim basis?

7 A Yes, that's right.

8 Q Has the company met all the permit requirements
9 of the Department of Natural Resources, to your knowledge?

10 A To my knowledge, they have. I have spoken
11 with DNR personnel on several occasions about this development.
12 I am aware, as has been already stated on the record, that
13 they have an application in for a new treatment facility.
14 And it's in the process of being reviewed by DNR.

15 Q Is there any reason in your mind why the Com-
16 mission should not grant a certificate of public convenience
17 and necessity to this company?

18 A I see no reason why it shouldn't be granted.
19 It looks like there is a public need for the service in the
20 subdivision.

21 MR. DUFFY: That's all I have. I tender the
22 witness for cross.

23 MR. CLINE: I have none.

24 QUESTIONS BY EXAMINER REIMNITZ:

25 Q Mr. Merciel, have you been in touch with any

1 of the residents of this area regarding this application?

2 A No, I have not.

3 EXAMINER REIMNITZ: I have no other questions.

4 (Witness excused.)

5
6 MR. DUFFY: The Staff rests.

7 MR. CLINE: Nothing further.

8 EXAMINER REIMNITZ: Any desire to execute a
9 waiver of reading of the transcript or request any time for
10 filing briefs or argument before the Commission?

11 MR. DUFFY: The Staff will waive reading of
12 the transcript and does not desire to present a brief.

13 MR. CLINE: I have the same announcement.
14 I believe I've already waived it, Your Honor.

15 EXAMINER REIMNITZ: In that case, the matter
16 will be submitted.

17 (AT THIS TIME APPLICANT'S EXHIBITS NOS. 1
18 THROUGH 7, INCLUSIVE, WERE MARKED BY THE REPORTER FOR THE
19 PURPOSE OF IDENTIFICATION.)

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

I N D E X

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STAFF'S EVIDENCE:

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E X H I B I T S

APPLICANT'S EXHIBITS:

MARKED

RECEIVED

Exhibit No. 1
Certificate of Incorporation

39

35

Exhibit No. 2
Topographical Sketch

39

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Exhibit No. 3
Description

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Exhibit No. 4
Feasibility Study

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Exhibit No. 5
Order by the County Court of
Boone County

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Exhibit No. 6
Missouri Clean Water Commission,
Authorization to Discharge Under
the National Pollutant Discharge
Elimination System

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Exhibit NO. 7
List of Sunrise Estates' Residents

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