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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 27th
day of August, 1997.

In the matter of the Application of)
Cannon Home Association, Inc. for)
permission, 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 of Ralls)
County, Missouri.)

Case No. SA-97-65

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

On August 16, 1996 Cannon Home Association, Inc. (CHA) filed an Application with the Commission requesting an order from the Commission granting approval to serve an area of unincorporated Ralls County, Missouri, including cabins, summer cottages and mobile homes located in three different subdivisions in the area of Clarence Cannon Reservoir. Together with this Application, CHA filed a plat map and metes and bounds description of the proposed service area, and a statement of proposed rates. In addition, CHA states in its Application that a portion of the proposed system, as set out in attachments to the Application, is currently in operation. CHA states that it is the intent of CHA to operate the current and future system as a regulated public utility.

On August 8, 1997 the Staff of the Commission (Staff) filed its recommendation. Staff states that the developments in the proposed service area are primarily recreational dwellings, with a potential for approximately 260 customers. Staff states that it has conducted a field

inspection and audit and found \$269,499 in rate base, all of which is equity. Since the development has not advanced in relation to the initial physical plant, CHA will not initially have enough customers to realize complete expense recovery. Therefore, Staff recommends that expenses be reviewed within 18 months to ensure reasonableness of expenses and rates.

Staff recommends a return on common equity of 11 percent and further recommends the Commission authorize the following water usage-based rates:

Monthly minimum, includes first 1,000 gallons	\$14.00
Commodity charge, per 1,000 gallons over 1,000 gallons	5.50

The average sewer bill is estimated to be approximately \$25, representing 3,000 gallons per month average water use.

Staff further recommends the following conditions, to which CHA has agreed:

1. Approve a certificate for sewer service as proposed in the Application, to be effective upon the effective date of the tariff to be filed as addressed herein;
2. Approve rates as described herein, to be reviewed by Staff within 18 months of the effective date of the tariff to be filed in this case;
3. Approve depreciation accrual rates as shown on Attachment 1;
4. Order the company to file a complete tariff for sewer service, with the tariff to include a service area description consistent with the Application, and rates and rules consistent with the Staff's recommendations herein;
5. Order the company to keep its books and records in accordance with the Uniform System of Accounts for Class C and D Sewer Utilities, along with appropriate documentation as described herein; and,
6. Make no finding that would preclude the right to consider the ratemaking treatment to be afforded any matters addressed herein, or any future expenditures by the company, in any later proceeding.

The Commission has reviewed the Application, accompanying documents, and the Staff recommendation and finds that the request for a

certificate is not detrimental to the public interest. In addition, the Commission finds the proposed rates, as set out above, to be reasonable. The Commission will grant the requested Certificate of Convenience and Necessity, subject to the agreed-upon conditions as set out above, and order the adoption of the rates and depreciation schedule as recommended.

IT IS THEREFORE ORDERED:

1. That Cannon Home Association is hereby granted a Certificate of Convenience and Necessity authorizing it to install, acquire, build, construct, own, operate, control, manage, and maintain a sewer system for the public in an area as set out in the Application in this case.

2. That Cannon Home Association will file in this docket a complete set of tariffs for sewer service including a set of rates and rules consistent with this order and a metes and bounds description and plat map of its authorized service area.

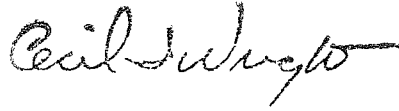
3. That a depreciation schedule is approved and adopted for use by Cannon Home Association as set out in Attachment A to this order.

4. That Cannon Home Association will keep its books and records in accordance with the Uniform System of Accounts for Class C and D sewer utilities along with appropriate documentation.

5. That the Staff of the Commission will review all filed tariffs within 18 months of the effective date of this order to determine whether the rates for service remain reasonable.

6. That this order shall become effective on the date hereof.

BY THE COMMISSION

A handwritten signature in cursive script, appearing to read "Cecil I. Wright".

Cecil I. Wright
Executive Secretary

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
and Murray, CC., Concur.

ALJ: Derque

CANNON HOME ASSOCIATION, INC.
DEPRECIATION RATES

(SEWER)

CASE NO. SA-97-65

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>
311	Structures & Improvements	3.0%
352.1	Collection Sewers (Force)	2.0%
352.2	Collection Sewers (Gravity)	2.0%
362	Receiving Wells & Pump Pits	5.0%
363	Pumping Equipment	10.0%
372	Oxidation Lagoons	4.0%
373	Treatment & Disposal Facilities	4.5%