

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Matter of the Missouri-American)
Water Company for Certificates of Convenience and)
Necessity Authorizing it to Own, Acquire, Construct,)
Operate, Control, Manage and Maintain a Water)
System and a Sewer system in an Area of Miller)
County, Missouri (Isla del Sol Condominium)
Association, Inc., f.k.a Atlantic Island))

File No.: WA-2019-0364

MOTION FOR ADDITIONAL TIME TO OCTOBER 11, 2019
TO FILE STAFF RECOMMENDATION

COMES NOW the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”), by and through counsel, and moves the Commission for additional time to October 11, 2019 to file its recommendation in this case. In support, Staff states as follows:

1. Missouri-American Water Company (“MAWC”) filed its *Application and Motion for Waivers* (“Application”) on May 26, 2019, requesting certificates of convenience and necessity (“CCNs”) authorizing it to own and operate water and sewer systems at a development known as Isla del Sol Condominiums, in Miller County, Missouri. In its application, MAWC explains that the Isla del Sol Condominium Association (“Association”) will be MAWC’s only customer. The Association will pass water and sewer fees on to the approximately 90 condominium owners who are association members.¹

2. On May 29, 2019 the Commission ordered Staff to file a suggested due date for its staff recommendation. Staff suggested August 16, 2019, and on June 14, 2019 the Commission ordered Staff to file its recommendation by August 16, 2019.

¹ Missouri-American Water Company, *Application and Motion for Waivers* ¶ 4 (May 26, 2019).

3. Commission rules 4 CSR 240-3.305(1)(A)5 and 3.600(1)(A)5 require CCN applicants to submit:

A feasibility study containing plans and specifications for the utility system and estimated cost of the construction of the utility system during the first three (3) years of construction; plans for financing; proposed rates and charges and an estimate of the number of customers, revenues and expenses during the first three (3) years of operations[.]

Staff requires a feasibility study, coupled with purchase price documentation and workpapers, to evaluate the viability of current or proposed rates and evaluate the original costs of plant assets.

4. MAWC's Feasibility Study, attached as Appendix C-C Revised to its July 8, 2019 *Motion for Leave to Amend Application*, lacks plans and specifications for the utility systems and estimated construction costs, as required by 4 CSR 240-3.305(1)(A)5 and 3.600(1)(A)5.

5. On June 5, 2019 MAWC sent Staff an engineering report for the water system and engineering drawings for the wastewater system. Neither included equipment specifications or estimated construction costs.

6. On June 11, 2019 Staff submitted discovery requests ("DRs") to MAWC requesting documents and workpapers relating to the systems' purchase prices.² In response, MAWC stated that it did not develop documentation nor analysis to determine the appropriate rate base value of these assets. MAWC indicated that the purchase price

² According to the terms of the purchase agreement attached to the Application, MAWC will purchase the Isla del Sol water and wastewater systems for a total of ** _____ ** MAWC, *Asset Purchase Agreement for the Purchase of the Isla del Sol Water and Wastewater Systems* 1 (May 1, 2019).

was determined through negotiations and the company's general knowledge of water and wastewater systems.³

7. On July 8, 2019 a MAWC manager emailed Staff a supplemented response to DR 7.⁴ An expanded version of this supplemented response was entered into EFIS on

³ MAWC responded as follows to DR requests for documentation and workpapers:

DR 3: Please provide copies of all documents that Isla del Sol Condominiums Homeowners Association and MAWC have in their possession to determine the value of the Isla del Sol Condominiums water and sewer system assets.

Response: No documents available.

DR 5: 1. Please provide a valuation of the water and sewer utility Plant-in-Service for the assets being acquired by MAWC. For each plant item, please include the values by USOA account, copies of invoices for the original purchase and installation and subsequent capital repairs and additions, if any. 2. For each USOA account (water and sewer systems,) please provide the current depreciation reserve with supporting backup calculations showing how the amounts were derived, and the depreciation rates used. 3. Provide the amount of CIAC for both water and sewer systems. For each response above, provide all supporting documentation and workpapers.

Response: MAWC continues to collect information from the seller relative to the assets on the system. At this point, we do not have a full asset listing prepared. We will create a full asset list by closing if and when this transaction is approved, and we complete the due diligence process.

DR 7: Reference the Asset Purchase Agreement provided in MAWC's application for a Certificate of Convenience and Necessity. 1. Please provide all documentation and supporting workpapers used to determine the purchase price identified in Article 2.2. 2. Please provide a copy of all the schedules identified in the Asset Purchase Agreement.

Response: 1. The schedules and exhibits have not been created at this time. In most cases, they are prepared if and when we receive approval from the Missouri Public Service Commission to proceed with the transaction. We can supply the schedules if and when they are completed by Seller.

DR 16: Please provide any property appraisal report(s) for the Sunset Palms water and sewer systems.

Response: Missouri American Water Company does not have a property appraisal report for the Sunset Palms water and sewer system.

⁴ MAWC's supplemented response is as follows:

The purchase price was a negotiated amount between the buyer and seller. Missouri-American negotiates the lowest purchase price possible whenever it buys a system. The purchase price for this particular system took into account reviewing of the net value of the assets including any land purchase minus any contributed property. The purchase price does not exceed the value of the assets.

July 17, 2019.⁵ However, neither supplemented response provides documents, workbooks, or analysis regarding the assets' values.

8. Because MAWC has not provided support and analysis, Staff cannot evaluate the reasonableness of MAWC's proposed purchase price, analyze MAWC's proposed rates and charges, nor recommend book values for the systems.

9. Staff and MAWC are communicating, and MAWC is gathering information and forwarding it to Staff. Both systems are currently unregulated, and this likely contributes to the lack of documentation.

10. Should MAWC fail to provide sufficient information, Staff believes it will need to conduct its own analysis to obtain estimated book values. If necessary, Staff will obtain information through additional inspections, manufacturer information, and other sources.

⁵ The expanded supplemental response is as follows:

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Staff estimates that 60 days is required to complete this and prepare its recommendation.

Staff will file its recommendation sooner, if possible.

WHEREFORE, Staff respectfully submits this *Motion for Additional Time to October 11, 2019 to File Staff Recommendation* for the Commission's consideration. Staff requests this additional time to prepare its own estimate of book value and prepare its recommendation.

Respectfully submitted,

/s/ Karen E. Bretz

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 14th day of August, 2019.

/s/ Karen E. Bretz