

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

In the Matter of the Joint Application of)
Taney County Utilities Corporation and)
Taney County Water, LLC for authority of)
Taney County Utilities Corporation to sell)
certain assets to Taney County Water, LLC)

Case No. WM-2011-0143

STAFF’S RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Recommendation* states to the Missouri Public Service Commission (Commission) as follows:

1. On November 18, 2010, Taney County Utilities Corporation (TCU) and Taney County Water, LLC (TCW) (jointly referred to hereafter as the Applicants) filed a *Joint Application* seeking to sell and transfer water utility assets owned and operated by TCU to TCW.

2. On November 22, 2010 the Commission issued an *Order Directing Notice and Filing* ordering that Staff shall file its recommendation on the application no later than December 29, 2010.

3. On December 29, 2010, Staff filed its *Motion for Extension of Time to File a Recommendation* requesting an additional forty-five (45) days to analyze the information they received from the Applicants. On this same day, the Commission granted Staff an extension until February 14, 2011 to file its recommendation on the application.

4. On February 10, 2011, Staff filed a *Motion for Extension of Time to File a Recommendation* requesting an additional twenty-one (21) days, until March 7, 2011 to determine an accurate rate base and discuss other concerns with the Applicants. On February 15, 2011, the Commission granted Staff an extension until March 7, 2011 to file its recommendation on the application.

5. Staff has reviewed and investigated the Company's *Joint Application* and incorporates by reference herein as Appendix A the attached Memorandum.

6. Staff recommends that the Commission issue an *Order* that incorporates Staff's recommendations as enumerated in Appendix A to this *Recommendation*.

WHEREFORE, Staff respectfully submits its *Staff Recommendation* and further requests the Commission grant Taney County Utilities Corporation the authority to sell and transfer its water utility assets to Taney County Water, LLC as requested in the *Joint Application*; Staff also respectfully requests the Commission incorporate Staff's recommendations as enumerated in the attached Appendix A.

Respectfully submitted,

/s/ Rachel M. Lewis
Rachel M. Lewis
Deputy General Counsel
Missouri Bar No. 56073

Attorney for the
Staff of the Missouri
Public Service Commission
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record on this 4th day of March, 2011.

/s/ Rachel M. Lewis

Although TCU is a regulated utility that provides both water and sewer service, the sale and transfer of assets proposed to be approved in this *Joint Application* involves only the water utility assets. Thus TCU will remain a regulated sewer utility.

TCW is a relatively new entity which, prior to this sale and asset transfer, was not providing any regulated utility service. However, the Staff is familiar with the owner of TCW since he is the owner and operator of two other regulated water utilities, namely Midland Water Company, Inc. and Riverfork Water Company.

STAFF'S INVESTIGATION

The Staff has reviewed the *Joint Application* and supporting documents, and has reviewed certain financial information for TCU.

During its investigation, the Staff reviewed the annual reports that TCU filed with the Commission from 2001 to 2009. Staff also reviewed invoices provided by TCU ranging in date from 2001 to June 2010.

In light of the above, Staff was able to calculate estimated numbers and an estimated rate base balance as of August 31, 2010 for the water systems involved in the *Joint Application*. Staff computed the following numbers using the above information: an estimated Plant In Service balance of \$538,686; estimated Accumulated Depreciated Reserve balance of \$284,434; estimated Contribution in Aid of Construction of \$164,885 estimated Outstanding Customer Deposits plus the accumulated interest of \$19,326, which brings the ending estimated rate base balance to \$70,041.

The Staff also received and is investigating two informal complaints pertaining to customer deposits. In review of this *Joint Application*, the Staff found that customer deposits are not addressed in the Water Company Division Asset Purchase Agreement that was filed with the *Joint Application*, and thus it was not clear to the Staff which company, TCU or TCW, controlled all of the deposit funds related to water service, including refunding of deposits to customers who terminate service. After requesting clarification of this matter from both TCU and TCW, the Staff understands that TCW will manage the existing deposits of customers, and as deposits are refunded by TCW, TCW will deduct those amounts from the sewer payment amounts sent monthly to TCU. In effect, TCU will actually assume the cost in the form of receiving less revenue for sewer utility service collected by TCW under a contract billing arrangement.

STAFF'S FINDINGS AND CONCLUSIONS

In the *Joint Application*, TCW proposes to adopt the rates that are currently in effect for TCU for each of the two service areas. The Staff recommends that TCW adopt the Schedule of Rates, Rules and Regulations (Tariffs) that are currently on file and approved for TCU. In addition, TCW should

be required to file a tariff adoption notice similar to a draft that is attached to this memorandum as Attachment A. The Staff also recommends TCW file a revised index for the tariff to reflect the existence of the adoption notice, also included in Attachment A.

TCW also needs to keep its books and records in accordance with the Uniform System of Accounts, including recording in the Company's ledger adjustments for new capital items placed into service, and recording the cost of removal and gross salvage of plant items removed from service, and implementing a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant.

The Staff also recommends that TCW adopt the existing depreciation accrual schedule that is presently approved for TCU. A copy of the depreciation accrual schedule is included as Attachment B to this memorandum.

Based on its familiarity with the owner of TCW and his existing utility businesses, the Staff believes that TCW has adequate technical, managerial, and financial capacity to operate the water systems presently certificated for TCU.

In the *Joint Application*, the Applicants requested that the full purchase price of the assets be recognized as the rate base of said assets. Based upon Staff's review of the assets, Staff cannot agree to this condition because it is higher than Staff's estimated rate base balance. Staff has made the applicants aware of Staff's findings and it is Staff's understanding that TCW will not pursue using the full purchase price of the assets for the rate base of said assets as a condition of this transaction.

The Staff has reviewed TCU's history of filing of annual reports for the calendar years 2002 through 2009, and finds no major deficiencies. TCU has made payments in full on annual assessments for both water and sewer operations for fiscal years 2006 through the second quarter of 2011. For the remainder of fiscal year 2011, TCU has paid an amount equal to the assessments for its sewer operations in full, with an amount of \$678.62 that, according to the Commission's records as posted by the Administration Division, remains due for the assessments for water operations. TCW has indicated to the Staff that it will pay this remainder, which is due to be paid in full by April 15, 2011.

STAFF'S RECOMMENDATIONS

The Staff recommends the Commission approve the sale and transfer of water utility assets. The Staff specifically recommends the Commission issue an order that includes the following:

1. Approves the sale and transfer of water utility assets from TCU to TCW, recognizing that assets were actually transferred on or about August 18, 2010.

2. Requires TCW to file an adoption notice tariff sheet, as a 30-day tariff filing, within five (5) days of the effective date of an order issued by the Commission authorizing this transfer of assets.
3. Requires TCW to adopt the depreciation schedule presently approved for TCU water utility plant, as shown in Attachment B to this memorandum.
4. Requires TCW to assume liability for the remaining annual assessment payment now listed for TCU, in the amount of \$678.62, due in full by April 15, 2011.
5. Requires TCW to maintain utility plant records and all customer account records as acquired from TCU, and to keep all books and records, including plant property records, in accordance with the Uniform System of Accounts as described in this memorandum.
6. On the effective date of the tariff adoption notice from Recommendation No. 2 above, cancels the Certificate granted to TCU for the provision of water service, and grants a Certificate to TCW for the provision of water service for the Venice on the Lake and Lakeway Subdivision service areas.
7. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the certificate, including future expenditures by TCW, in any later proceeding.

Attachment: A – Draft Tariff Adoption Notice, and Revised Tariff Index
B – Water Depreciation Schedule Approved for Taney County Utilities

Name of Utility: Taney County Water, LLC

Service Area: Lakeway Subdivision and Venice on the Lake, Taney County, MO

<p>Rules Governing Rendering of Water Service</p>	
<p><u>ADOPTION NOTICE</u></p>	
<p>Water system assets were transferred from Taney County Utilities Corporation to Taney County Water, LLC, with approval granted in Case No. WM-2011-0143. Accordingly, Taney County Water, LLC hereby adopts, ratifies, and makes its own in every respect, as if it had originally filed, all tariffs, schedules, rules, notices or other instruments filed by Taney County Utilities Corporation and currently on file with and approved by the Public Service Commission, State of Missouri.</p>	
<p>* Indicates new rate or text + Indicates change</p>	

DATE OF ISSUE _____
Month Day Year

DATE EFFECTIVE _____
Month Day Year

ISSUED BY Hollis H. "Bert" Brower
name of officer

Manager
title

786 Croley Blvd., Nixa, MO 65714
address

canceling

P.S.C. MO No. 1
P.S.C. MO No. 1

1st Revised
original

Sheet No. 1
Sheet No. 1

Name of Utility: Taney County Water, LLC

Service Area: Lakeway Subdivision and Venice on the Lake, Taney County, MO

Rules Governing Rendering of Water Service		
Index	Sheet No.	
Adoption Notice	A	+
Index	1	
Legal Description of Service Area	2, 2.1, 2.2	
Map of Service Area	3, 3.1	
Schedule of Rates	4	
Schedule of Service Charges:	5	
Rule No.		
1 Definitions	6	
2 General Rules and Regulations	8	
3 Company Employees and Customer Relations	9	
4 Applications for Service	10	
5 Inside Piping and Customer Water Service Lines	11	
6 Improper or Excessive Use	13	
7 Discontinuance of Water Service by Company	14	
8 Discontinuance of Water Service at Customer's Request	16	
9 Interruptions in Service	17	
10 Bills for Service	18	
11 Meters and Meter Installations	21	
12 Meter Tests and Test Fees	24	
13 Bill Adjustments Based on Meter Tests	25	
14 Extension of Water Mains	26	
* Indicates new rate or text		
+ Indicates change		

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ISSUED BY Hollis H. "Bert" Brower
name of officer

Manager
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786 Croley Blvd., Nixa, MO 65714
address

**TANEY COUNTY UTILITIES
DEPRECIATION RATES**

(WATER)

QW-2003-0016

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	2.5%	40
314	Wells & Springs	2.0%	50
316	Supply Mains	2.0%	50
321	Structures & Improvements	2.5%	40
325	Electric Pumping Equipment	10.0%	10
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
345	Services	2.5%	40
346	Meters	3.3%	30
390	Structures & Improvements	2.5%	40
391	Office Furniture & Equipment	5.0%	20
391.1	Office Computer Equipment	14.3%	7
396	Power Operated Equipment	6.7%	15

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
Taney County Utilities Corporation and) Case No. WM-2011-0143
Taney County Water, LLC for Authority of)
Taney County Utilities Corporation to Sell)
Certain Assets to Taney County Water, LLC)

AFFIDAVIT OF PAULA MAPEKA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Paula Mapeka, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.



Paula Mapeka

Subscribed and sworn to before me this 3rd day of March, 2010.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016



Notary Public

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

In the Matter of the Joint Application of Taney)
County Utilities Corporation and Taney County)
Water, LLC for Authority of Taney County) Case No. WM-2011-0143
Utilities Corporation to Sell Certain Assets to)
Taney County Water, LLC)

AFFIDAVIT OF JAMES A. MERCIEL, JR., P.E.

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Merciel, Jr., P.E., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff Recommendation* in memorandum form, to be presented in the above case; (3) that the information in the *Staff Recommendation* was provided to him; (4) that he has knowledge of the matters set forth in such *Staff Recommendation*; and (5) that the matters set forth in the foregoing *Staff Recommendation* are true and correct to the best of his knowledge, information and belief.



James A. Merciel, Jr., P.E.

Subscribed and sworn to before me this 3rd day of March 2011.



Notary Public

CARLA K. SCHNIEDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: August 25, 2012
Commission Number: 08533187

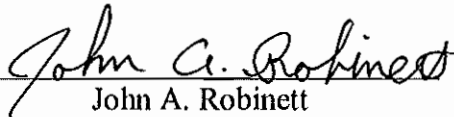
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
Taney County Utilities Corporation and)
Taney County Water, LLC for Authority of)
Taney County Utilities Corporation to Sell)
Certain Assets to Taney County Water, LLC) Case No. WM-2011-0143

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

John A. Robinett, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in Attachment B of the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.


John A. Robinett

Subscribed and sworn to before me this 21st day of March, 2010.

NIKKI SENW Notary Public - Notary Seal State of Missouri Commissioned for Osage County My Commission Expires: October 01, 2011 Commission Number: 07287016


Notary Public