

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 9th day of June, 2005.

In the Matter of the Joint Application of)
Missouri-American Water Company and Both)
Osage Water Company and Environmental)
Utilities, L.L.C. for Authority for Missouri-American)
Water Company to Acquire the Water and Sewer)
Utility Assets of Both Entities, and for the)
Transfer to Missouri-American Water Company of)
Certificates of Convenience and Necessity to)
Continue Operation of Such Assets as Water and)
Sewer Corporations Regulated by the Missouri)
Public Service Commission)

Case No. WO-2005-0086

ORDER DISMISSING JOINT APPLICATION

Issue Date: June 9, 2005

Effective Date: June 19, 2005

On October 5, 2004, Missouri-American Water Company, Osage Water Company, and Environmental Utilities, L.L.C. filed a Joint Application seeking the Commission's approval of Missouri-American's plan to purchase all of the assets of Environmental Utilities and some, but not all, of the assets of Osage Water. The proposed sale did not include the Cedar Glen sewer system portion of the assets of Osage Water. At an oral argument held on January 13, 2005, the parties indicated that if those assets were not sold to Missouri-American, Osage Water would have to continue to operate that portion of its system until a suitable buyer could be found. At that time, however, the applicants indicated that they were negotiating toward including the Cedar Glen sewer system in the proposed transaction.

In response to what it learned at the oral argument, the Commission issued an order on January 25, indicating that it was unwilling to consider the transaction proposed by the applicants so long as it did not include the sale of all of the assets of Osage Water. The Commission requested that the applicants modify their proposal to include the sale of the Cedar Glen sewer system. On March 9, Missouri-American filed a Notice Concerning Cedar Glen Sewer, in which it indicated that it was not willing to purchase the Cedar Glen sewer system and that it would not modify its application.

On May 2, the Staff of the Commission filed a Motion to Reject Transaction and Dismiss Application. Staff pointed out that the Commission indicated that it would not approve the application as submitted because it failed to provide for the transfer of the Cedar Glen sewer system. Staff also pointed out that Missouri-American refused to modify its purchase proposal to acquire the Cedar Glen sewer system. Staff, therefore, urged the Commission to summarily reject the proposed transaction and dismiss the application.

Neither Missouri-American, Osage Water, nor Environmental Utilities have responded to Staff's motion. Indeed, the only party that filed any response to Staff's motion was an intervenor, Hancock Construction. Hancock urged the Commission to grant Staff's motion.

The Commission is not willing to approve any sale transaction that does not dispose of all of Osage Water's operating assets. The transaction proposed by the applicants would require Osage Water to continue to provide sewer service to Cedar Glen until a buyer could be found to purchase and operate that system. That result is not acceptable because Osage Water is unable to safely and effectively operate its current system to the extent that the Commission has filed a petition in the Circuit Court of Camden County to

have a receiver appointed to take charge of that company and its water and sewer systems. Any transaction that would sell off only a portion of Osage Water's sewer systems would leave that distressed company to attempt to operate a remnant of its system with dire implications for the service that it would be able to provide to its remaining customers. Such a result cannot be in the public interest.

Since the transaction proposed in the Joint Application cannot be in the public interest, it will be rejected and the Joint Application will be dismissed.

IT IS THEREFORE ORDERED:

1. That Staff's Motion to Reject Transaction and Dismiss Application is granted.
2. That the transaction proposed in the Joint Application filed by Missouri-American Water Company, Osage Water Company, and Environmental Utilities, L.L.C. is rejected.
3. That the Joint Application filed by Missouri-American Water Company, Osage Water Company, and Environmental Utilities, L.L.C. is dismissed.
4. That this order shall become effective on June 19, 2005.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray and Appling, CC., concur
Gaw and Clayton, CC., dissent, dissents to follow

Woodruff, Senior Regulatory Law Judge