

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 1<sup>st</sup> day of December, 2021.

In the Matter of Missouri-American Water Company for a Certificate of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Water System and Sewer System in and around the City of Orrick, Missouri. )  
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) **File No. WA-2022-0049**  
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**ORDER APPROVING TRANSFER OF ASSETS AND  
GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY**

Issue Date: December 1, 2021

Effective Date: December 31, 2021

**Procedural History**

On August 25, 2021, Missouri-American Water Company (MAWC) filed the above-referenced application. The application seeks, among other things, authority for MAWC to acquire and operate the assets of a municipal water and sewer system in Orrick, Missouri. The residents of Orrick overwhelmingly approved selling those assets to MAWC in an April 6, 2021 election.

MAWC also asks for a Certificate of Convenience and Necessity (“CCN”) to install, own, acquire, construct, operate, control, manage, and maintain those water and sewer systems in Orrick. MAWC is a “water corporation,” a “sewer corporation,” and “public utility” as those terms are defined in Section 386.020, RSMo (2016), and is subject to the jurisdiction of the Commission. If the Commission approves MAWC’s application, MAWC

would provide water service for Orrick’s 335 water customers, and sewer service for Orrick’s 335 sewer customers.<sup>1</sup>

In addition, MAWC requests the Commission permit it to use Section 393.320 RSMo to establish the rate base of the Orrick water and sewer systems. Finally, MAWC asks the Commission to waive the 60-day notice requirement MAWC would otherwise have to give before filing this case.

The Commission issued notice and set a deadline for intervention requests, but received no requests. On November 16, 2021, the Commission’s Staff filed its recommendation to approve the transfer of assets and grant a CCN, with certain conditions.

Commission Rule 20 CSR 4240-2.080(13) allows parties ten days to respond to pleadings unless otherwise ordered by the Commission. The Commission issued no order to the contrary of that rule and no party objected to MAWC’s application or Staff’s recommendation.

### **Discussion**

#### *Certificate of convenience and necessity*

The Commission may grant a water and sewer corporation a CCN to operate after determining that the construction and operation are “necessary or convenient for the public service.”<sup>2</sup> The Commission articulated criteria to be used when evaluating applications for utility certificates of convenience and necessity in *In Re Intercon Gas, Inc.*<sup>3</sup>

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<sup>1</sup> The customer counts are approximate.

<sup>2</sup> Section 393.170.3, RSMo.

<sup>3</sup> 30 Mo P.S.C. (N.S.) 554, 561 (1991).

The *Intercon* case combined the standards used in several similar certificate cases, and set forth the following criteria: (1) there must be a need for the service; (2) the applicant must be qualified to provide the proposed service; (3) the applicant must have the financial ability to provide the service; (4) the applicant's proposal must be economically feasible; and (5) the service must promote the public interest.<sup>4</sup>

There is a need for the service, as the residents of Orrick currently make use of the existing water and sewer system. MAWC is qualified to provide the service, as it already provides water service to over 450,000 Missouri customers, and sewer service to over 11,000 Missouri customers. MAWC has the financial ability to provide the service because no external financing is anticipated. The proposal is economically feasible according to MAWC's feasibility study, which is realistic given its prior experience and past performance. The proposal promotes the public interest as demonstrated by Orrick's citizens voting to proceed with MAWC's Asset Purchase Agreement.

Based on the application and Staff's recommendations, the Commission concludes that the factors for granting a certificate of convenience and necessity to MAWC have been satisfied and that it is in the public's interest for MAWC to provide water and sewer service to the customers currently served by Orrick. Further, the Commission finds that MAWC possesses adequate technical, managerial, and financial capacity to operate the water and sewer system it wishes to purchase from Orrick. Thus, the Commission will authorize the transfer of assets and grant MAWC the certificate of

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<sup>4</sup> The factors have also been referred to as the "Tartan Factors" or the "Tartan Energy Criteria." See Report and Order, *In re Application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a Certificate of Convenience and Necessity*, Case No. GA-94-127, 3 Mo. P.S.C. 3d 173 (September 16, 1994).

convenience and necessity to provide water and sewer service within the proposed service area, subject to the conditions described by Staff.

*Rate base*

MAWC seeks to establish the ratemaking rate base associated with the Orrick water and sewer assets in this matter pursuant to Section 393.320, RSMo.<sup>5</sup> That statute states, in pertinent part:

The procedures contained in this section may be chosen by a large water public utility, and if so chosen shall be used by the public service commission to establish the ratemaking rate base of a small water utility during an acquisition.

MAWC is a “large water public utility” as it is a “public utility that regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service.”<sup>6</sup> Orrick is a “small water utility” as it is a “water system or sewer system owned by a municipality that regularly provides water service or sewer service to eight thousand or fewer customer connections.”<sup>7</sup>

Section 393.320.3(1), RSMo requires an appraisal to be performed by three appraisers. Such an appraisal has been performed on the Orrick water and sewer system and is attached to MAWC’s application. The appraisal contains a joint assessment of the fair market value of the water system and sewer system.

Section 393.320.5(1), RSMo states, in part, that the “lesser of the purchase price or the appraised value, together with the reasonable and prudent transaction, closing, and transition costs incurred by the large water public utility, shall constitute the

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<sup>5</sup> Per the Staff Recommendation, this is the first time a utility has availed itself of this statutory method of establishing the rate base for purchased assets.

<sup>6</sup> Section 393.320.1(1) RSMo.

<sup>7</sup> Section 393.320.1(2) RSMo.

ratemaking rate base for the small water utility as acquired by the acquiring large water public utility. . . .” In this case, the purchase price is equal to the appraised value. That value is \$1,510,000, of which \$840,000 is for water assets, and \$670,000 for sewer assets. Staff’s Recommendation concurs with MAWC’s appraisal of the Orrick water and sewer assets. The appraised value of \$1,510,000, together with the reasonable and prudent transaction, closing, and transition costs incurred by MAWC, shall constitute the ratemaking rate base.

*Waiver of 60-day notice rule*

MAWC’s application also asks the Commission to waive the 60-day notice requirement in 20 CSR 4240-4.017(1). MAWC asserts there is good cause for granting such waiver because it did not engage in conduct that would constitute a violation of the Commission’s ex parte rule, and no asset purchase agreement existed within 60 days prior to filing its application. The Commission finds good cause exists to waive the notice requirement, and a waiver of 20 CSR 4240-4.017(1) will be granted.

**THE COMMISSION ORDERS THAT:**

1. Missouri-American Water Company is granted a certificate of convenience and necessity to provide water and sewer service in the City of Orrick area described in the map and legal description Missouri-American Water Company provided to Staff, subject to the conditions and requirements contained in Staff’s Recommendation, including the filing of tariffs, as set out below:

- a. The Commission approves existing MAWC water Rate A for ‘All Missouri Service Areas Outside of St. Louis County and Outside of Mexico,’ found on 4th Revised Sheet No. RT 1.2, in PSC MO No. 13;
- b. The Commission approves existing MAWC sewer rates found on 5th Revised Sheet No. RT 3.1, in PSC MO No. 26;

- c. MAWC shall submit tariff sheets, to become effective before closing on the assets, to include a service area map, service area written description, rates and charges to be included in its EFIS tariffs P.S.C. MO No. 13 and 26, applicable to water and sewer service, respectively;
- d. MAWC shall notify the Commission of closing on the assets within 5 days after such closing;
- e. If closing on the water and sewer system assets does not take place within 30 days following the effective date of the Commission's order approving such, MAWC shall submit a status report within 5 days after this 30-day period regarding the status of closing and additional status reports within 5 days after each additional 30-day period until closing takes place, or until MAWC determines that the transfer of the assets will not occur;
- f. If MAWC determines that a transfer of the assets will not occur, MAWC shall notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require MAWC to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the City service area in its water and sewer tariffs, and rate and charges sheets applicable to customers in the City service area in both the water and sewer tariffs;
- g. MAWC shall develop a plan to book all of the City plant assets, with the concurrence of Staff and/or with the assistance of Staff, for original cost, depreciation reserve, and contributions (CIAC) for appropriate plant accounts, such that current rate base is broken down as \$840,000 for the water system, and \$670,000 for the sewer system, along with reasonable and prudent transaction, closing, and transition costs. This plan must be submitted to Staff for review within 60 days after closing on the assets;
- h. MAWC shall keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- i. MAWC shall adopt the depreciation rates ordered for MAWC in Case No. WR-2020-0344;
- j. Except as required by §393.320, RSMo, the Commission makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the

granting of the CCN to MAWC, including expenditures related to the certificated service area, in any later proceeding;

- k. MAWC shall provide training to its call center personnel regarding rates and rules applicable to the Orrick water and sewer system customers;
- l. MAWC shall include the Orrick water and sewer system customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets;
- m. MAWC shall distribute to the City customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its sewer service, consistent with the requirements of Commission Rule 20 CSR 4240-13.040(3), within thirty (30) days of closing on the assets;
- n. MAWC shall provide to the CXD Staff an example of its actual communication with the Orrick water and sewer system customers regarding its acquisition and operations of the water system assets, and how customers may reach MAWC, within ten (10) days after closing on the assets;
- o. MAWC shall provide to the CXD Staff a sample of ten (10) billing statements from the first month's billing within thirty (30) days of closing on the assets;
- p. MAWC shall communicate with the City customers concerning the billing date, delinquent date, and billing changes that will occur once the acquisition is approved, and provide a copy of this communication to CXD Staff.
- q. MAWC shall file notice in this case outlining completion of the above recommended training, customer communications, and notifications within ten (10) days after such communications and notifications are complete.

2. Missouri-American Water Company is authorized to take other actions as may be deemed necessary and appropriate to consummate the transactions proposed in the application.

3. The thirty day notice requirement of Commission Rule 20 CSR 4240-4.017(1) is waived.

4. This order shall become effective on December 31, 2021.

5. This file shall be closed on January 1, 2022.



**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

Silvey, Chm., Rupp, Coleman, Holsman, and  
Kolkmeier CC., concur.

Pridgin, Regulatory Law Judge




**STATE OF MISSOURI**

**OFFICE OF THE PUBLIC SERVICE COMMISSION**

**I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.**

**WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 1<sup>st</sup> day of December, 2021.**



  
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**Morris L. Woodruff**  
**Secretary**

**MISSOURI PUBLIC SERVICE COMMISSION**

**December 1, 2021**

**File/Case No. WA-2022-0049**

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**Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).**

*Sincerely,*



**Morris L. Woodruff**  
**Secretary**

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Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.