

Exhibit No.:

Issues:

*Water Storage Tank;
Customer Service;
Management; Rule
Violations*

Witness:

Merciel

Type of Exhibit:

Rebuttal Testimony

Sponsoring Party

MO PSC Staff

Case Nos.:

*WC-2002-155
SC-2002-160*

Missouri Public Service Commission

Utility Operations Division

**REBUTTAL TESTIMONY
of
JAMES A. MERCIEL, JR.**

FILED³

MAR 27 2002

**Missouri Public
Service Commission**

Case Nos. WC-2002-155 and SC-2002-260

Warren County Water and Sewer Company

Jefferson City, Missouri
March 27, 2002

Table of Contents for the Rebuttal Testimony of James A. Merciel, Jr.
Case Nos. WC-2002-155 and SC-2002-160
Warren County Water and Sewer Company

Introduction	Page 1
Purpose of Testimony	Page 1
Water System and Water Storage Tank	Page 2
Customer Service	Page 6
Management.....	Page 8
Possible Violations	Page 9
Recommendations.....	Page 11
Summary	Page 12
Conclusion	Page 13

1 **REBUTTAL TESTIMONY**
2 **OF**
3 **JAMES A. MERCIEL, JR.**

4 **Case Nos. WC-2002-155 and SC-2002-160**

5 **Office of the Public Counsel**

6 **vs.**

7 **Warren County Water and Sewer Company**

8 **INTRODUCTION**

9 Q. Please state your name and business address.

10 A. James A. Merciel, Jr., P. O. Box 360, Jefferson City, Missouri, 65102.

11 Q. By whom are you employed and in what capacity?

12 A. I am employed by the Missouri Public Service Commission
13 ("Commission") as a Utility Regulatory Engineering Supervisor, in the Water and Sewer
14 Department ("W/S Department").

15 Q. Please describe your education and work experience.

16 A. I graduated from the University of Missouri at Rolla in 1976 with a
17 Bachelor of Science degree in Civil Engineering. I am a Registered Professional
18 Engineer in the State of Missouri. I worked for a construction company in 1976 as an
19 engineer and surveyor, and have worked for the Commission in the W/S Department
20 since 1977.

21 **PURPOSE OF TESTIMONY**

22 Q. What is the purpose of your rebuttal testimony?

1 A. The purpose of this rebuttal testimony is to respond to the formal
2 complaint filed by the Office of the Public Counsel against Warren County Water and
3 Sewer Company ("Company"). Specifically, I will respond to the direct testimony and
4 supplemental direct testimony filed by Barbara A. Meisenheimer and Kimberly K. Bolin.
5 I will discuss some of the issues raised in said testimony regarding the Company's
6 water system (sometimes referred to herein as the "Incline Village Water System"),
7 customer complaints, and some other issues related to the Company.

8 **WATER SYSTEM AND WATER STORAGE TANK**

9 Q. Are you aware of taste and odor problems, or other problems with the
10 drinking water in Incline Village?

11 A. Yes. The water has had characteristics that present challenges since the
12 water system was new.

13 Q Could you please describe the water characteristics that cause problems
14 in this system?

15 A. Yes. This water system has hydrogen sulfide, which causes an odor
16 sometimes called a "rotten egg" smell. Hydrogen sulfide is naturally occurring in some
17 groundwater supplies. The presence of Hydrogen sulfide does not mean the water is
18 unsafe to drink, but the odor is a nuisance and aesthetically displeasing.

19 This water is also relatively high in iron content. The most recent analysis
20 performed by the MDNR in approximately 1999 returned iron content of 0.411
21 milligrams per liter (mg/l), while the recommended maximum level is 0.3 mg/l. Iron does

1 not present a health hazard, and is considered a "secondary contaminant," and as such
2 an amount exceeding the recommended maximum level is not a violation of any
3 regulation. High levels of iron can, however, create aesthetically displeasing
4 characteristics such as staining of plumbing fixtures, and coloration of deposits in the
5 water mains, which in turn can cause red or brown colored water under some
6 conditions.

7 In addition to the water characteristics, water pressure is maintained by the water
8 level in the storage tank, which is a standpipe; but even the maximum water level,
9 limited by the height of the standpipe, only provides minimal water pressure at homes
10 located at high elevations on the northern portion of Fairway Drive. If the water level in
11 the tank drops, then pressure can, and at times does, drop below 20 pounds per square
12 inch (psi) in this area, which does not meet the minimum pressure requirements of the
13 Missouri Department of Natural Resources (MDNR), and is inadequate working
14 pressure in my opinion. Water pressure in Incline Village is usually adequate for homes
15 at lower elevations, although short-term water pressure problems sometimes result from
16 main breaks and water leaks anywhere in the subdivision, as is the case with any water
17 system.

18 Q. Have these water characteristics caused customer problems and
19 customer complaints?

20 A. Yes. The Staff has received customer complaints regarding these
21 matters. The Staff began receiving hydrogen sulfide odor complaints early in this water

Rebuttal Testimony of James A. Merciel, Jr.
Case Nos. WC-2002-155 and SC-2002-160

1 system's history, in the mid-1980's. The problem seems to be minimized now, probably
2 due to the use of chlorine, which reduces the effects of hydrogen sulfide in most cases.
3 The Staff received one such complaint in August of 2001, when the chlorinator was
4 reportedly out of service for a short time. The effects of iron are sometimes observed
5 when customers get discolored water after main breaks. Pressure, particularly at the
6 higher elevation areas on Fairway Drive, continues to be a problem. A well-known
7 event regarding chlorine occurred in November of 2000 after Gary Smith, the owner of
8 the Company, apparently made an adjustment to the chlorinator. Some customers
9 reported receiving a "slug" of extremely highly chlorinated water that created a taste and
10 odor problem and bleached laundry. The Company then flushed portions of the water
11 distribution system to clear the problem, and when a representative from the MDNR
12 took some samples, the chlorine levels were normal.

13 Q. What can the Company do to minimize the hydrogen sulfide problem?

14 A. Chlorine, which is used at the Incline Village system and is commonly
15 used as a disinfection agent, can reduce the effects of hydrogen sulfide. Chlorination
16 appears to be presently adequate to address this problem. If and when a new storage
17 tank is constructed, the tank inlet could be extended to a point above the tank water
18 level, with a splash plate. This would allow some hydrogen sulfide gas to escape into
19 the atmosphere.

20 Q. What can be done about the iron/discolored water issue?

1 A. Mr. Smith initiated the use of a phosphorus "sequestering" agent several
2 years ago, which does not remove iron from the water but does reduce the effects of
3 iron. However, my understanding is that the company is not continually using that
4 chemical. Whether it is used or not, there are likely discolored deposits in the water
5 mains that have been there since before the Company began using the sequestering
6 agent. In my opinion the best way to reduce discolored water problems is by continued
7 use of the sequestering agent, along with a routine water main flushing program, and by
8 flushing of water mains in the vicinity of main breaks immediately after repairs are
9 made.

10 Q. What can be done to address the pressure problem on Fairway Drive?

11 A. In my opinion the solution to this problem is construction of an adequately
12 sized storage tank designed for a water level higher than that in the existing tank. In
13 1996, the Company proposed to construct a 100,000-gallon elevated tank to replace the
14 existing 30,500-gallon standpipe; however, to date the tank has not been constructed.

15 Q. Is the proposed storage tank necessary?

16 A. In my opinion, yes, the proposed tank, or one similar to it, is absolutely
17 necessary. Storage tanks are used to provide water during emergencies that require
18 extra flow, such as fire protection and large main breaks; during emergencies where the
19 source of supply is not functional, such as an electrical outage or pump failure; and for
20 daily peak flows, such as in the morning when many people rise and shower, and then
21 again in the evening when many people come home from work, cook dinner, wash cars

1 and water lawns and gardens. For systems with only one well, such as the Incline
2 Village Water System, the MDNR Public Drinking Water Program recommends storage
3 volume to be equal to or greater than the average daily demand. With an average daily
4 demand of approximately 66,000 gallons, the present 30,500-gallon standpipe, with a
5 usable storage volume of approximately 10,000 gallons, would only provide water for a
6 few hours if the well could not operate. A similar problem might occur during periods of
7 extremely high water use, such as a summertime drought. If the well cannot keep up
8 with demand, then the standpipe water level would decrease, resulting in low pressure.
9 As customer growth occurs, the risk of such problems increases. I testified in Case No.
10 WA-96-449, a certificate case filed by the Company, that the proposed new storage
11 tank was needed then. I also testified in support of the Company's proposed tank
12 project in Warren County Circuit Court on September 5, 1997 Cause No. CV597-
13 134CC, in which the Incline Village Subdivision trustees challenged the use of the
14 proposed tank site.

15 **CUSTOMER SERVICE**

16 Q. Are you aware of any customer complaints other than those directly
17 related to water characteristics and water pressure?

18 A. Yes, the Staff has received complaints on a variety of issues. These
19 include a water main that has frozen twice in seven years, causing some customers to
20 be out of water for several weeks; billing based on estimated water meter readings;
21 improper charges for construction of "water service connections," which are Company-

Rebuttal Testimony of James A. Merciel, Jr.
Case Nos. WC-2002-155 and SC-2002-160

1 owned pipelines connecting customers' water piping to the water mains, as referenced
2 in Rule 5 (a) and 5 (b) of the Company's water tariff; and installation and maintenance
3 of sewer pump units, which are electrically powered pumps located on customers'
4 properties to pump sewage into a pressurized sewer collection pipeline. One such
5 pump unit complaint became a formal complaint filed by a customer, Case No. WC-
6 2000-474, and another is a recent informal complaint that the Staff has not closed yet.
7 The subdivision trustees have also voiced complaints regarding inadequate sewage
8 treatment plant operation, improper repair of streets after construction projects, and
9 general customer dissatisfaction with utility service, some of which have been directed
10 to state legislators as well as the PSC. A lack of apparent concern on the Company's
11 part regarding customers' concerns, poor communication in some situations, and failing
12 to take corrective action in a timely and appropriate manner accentuate many of the
13 complaints. In one case, the owner of the Company left a message on a customer's
14 telephone answering machine cursing the customer, when in my opinion the customer
15 was attempting to work with the Company in resolving a legitimate problem that the
16 Company did not address in a timely manner.

17 Besides these complaints, there are and have been issues regarding general
18 operation of the sewer system, particularly the two treatment facilities and some of the
19 Company-owned pump stations. Steve Loethen of the Staff is addressing some of
20 these issues in his rebuttal testimony. The Staff, during routine inspections in past
21 years, has communicated some operations issues to the Company. Also, the owner of

1 the Company has been dealing with criminal enforcement action by the United States
2 Environmental Protection Agency (USEPA) regarding pollution violations.

3 Q. Do you believe the Company is doing everything it reasonably can to
4 address these issues?

5 A. No. While, generally, most of the service problems are not particularly
6 unusual in the context of operating a water system, and can occur occasionally on any
7 water system, I believe that complaints from this system are relatively numerous
8 compared to most other regulated utilities. I also believe that the Company may not
9 have handled some events adequately or in a timely manner. Arguably, on a case-by-
10 case basis, some of the service problem events should never have happened.
11 Examples of events that should not happen are the extreme elevated chlorine level,
12 during which the operator should have checked chlorine residual levels after making
13 adjustments; repeated main breaks caused by the utility owner's construction crew; and
14 low water pressure due to an inadequately sized and located storage tank. Customer
15 reports of outages and discolored water seem to indicate that main breaks occur
16 relatively frequently, that adequate flushing following repairs is not always performed,
17 and that communications with customers, to inform them of the problem and estimated
18 resolution time, need improvement.

19 **MANAGEMENT**

20 Q. Are you aware of other issues that indicate the Company's business
21 management needs improvement?

1 A. Yes. Over the years, I have had numerous telephone conversations with
2 the manager of the Cuivre River Electric Cooperative regarding unpaid electric bills on
3 the Company's accounts. Also, both in the past and in the present, there are issues
4 with delinquent property tax payments on utility-related real estate. There is also an
5 issue of real estate and assets that should be owned by the Company, but apparently
6 have been transferred to one or more affiliated corporations that are not authorized to
7 own and operate public utility facilities. Staff members observed this as recently as
8 approximately February 28, 2002, while reviewing real estate ownership and property
9 tax records at the Warren County courthouse. Additionally, the Company is delinquent
10 on its payment of Commission assessments.

11 **POSSIBLE VIOLATIONS**

12 Q. Of the complaints and inquiries with which you are familiar, do any involve
13 violations of any rules or regulations?

14 A. In my opinion, some of them may violate rules and regulations. These
15 include:

- 16 • Sewage treatment plant effluent that does not meet the requirements
17 prescribed by the MDNR Water Pollution Control Program, and sewage
18 overflows, both of which may be violating MDNR regulations, including 10
19 CSR 20-6.010 (5)(A) and (8)(A)4, and/or USEPA regulations.
- 20 • Water pressure that falls below 20 psi in the water distribution system, which
21 may violate MDNR regulations, including 10 CSR 60-10.080 (9).

- 1 • A charge to customers in excess of the approved charge for installation of the
2 Company-owned and constructed water service connection pipeline when
3 such pipeline is constructed under a street. This action may be a violation by
4 the Company of tariff Rule 5 (a) and 5 (b) if the Company, in addition to
5 collecting its approved connection charge, requires customers or their
6 contractors to do this work. Notably, the owner of the Company also does
7 construction work, and in many cases the Staff finds that utility charges and
8 expenses, and contractor's charges and expenses are difficult to distinguish,
9 both in Company records and on customer billings. The Company's apparent
10 intent to require customers to pay this extra expense, however, is outlined in
11 a contract for utility service with which new customers are required to agree.
12 A copy of the contract furnished to the Staff by the Company, along with
13 communication about the matter, is attached as Schedule 1. The Staff has
14 communicated and attempted to work with the Company extensively on this
15 issue, and encouraged the Company to file revised tariffs to address service
16 connections, which filing created Case No. ST-2000-694. However, after
17 filing revised tariffs, the Company did not follow through with the necessary
18 action to process the case, and the revised tariffs were never approved.
- 19 • Management deficiencies such as non-payment of electric accounts and non-
20 payment of property taxes on utility property are probably not direct violations,

1 but could certainly result in violations if the lack of electric service or the loss
2 of property results in inadequate utility service to any customers.

- 3 • Delinquencies on the Company's payment of its Commission assessments
4 may also violate applicable State law, including §386.370, RSMo.

5 **RECOMMENDATIONS**

6 Q. Do you have any recommendations regarding receivership, cancellation of
7 the certificate of convenience and necessity, or any other action, in order to resolve this
8 case?

9 A. I do not recommend unilateral cancellation of the certificate of
10 convenience and necessity for the simple reason that it would strip the Company of
11 authority to operate the water and sewer systems, leaving the customers without
12 legitimate utility service, or perhaps even physically without utility service. In essence,
13 that would be advocating turning off all water and sewer service to all customers.

14 Receivership is an option, but in my opinion it should be a temporary measure to
15 be used only while a plan for permanent resolution is arranged. The reason is that the
16 receiver is not in a good position to make capital improvements or invest money into a
17 private utility system that is owned by someone else, because normal regulatory
18 procedure cannot adequately address short-term handling of capital recovery for a non-
19 owner. In this situation, a very large capital investment, a water storage tank, is
20 needed.

1 The solution to the problems associated with handling of service matters,
2 management, and the possibility of the Company owner becoming unavailable due to
3 criminal prosecution, in my opinion is simply alternative ownership. Accomplishing a
4 transfer of either Company stock or Company assets could certainly be done with the
5 agreement of the Company owner. Other means may not be quite so simple if the
6 owner does not wish to voluntarily sell. Possible alternative owners could include:

- 7 1. The Incline Village Homeowners Association; however utility customers
8 outside of the subdivision need to become involved with the Association for
9 utility purposes.
- 10 2. A nearby water/sewer district; PWSD #2 of St. Charles County is, in my
11 opinion, capable of owning and operating this system.
- 12 3. Another existing private utility company.
- 13 4. One or more individuals to either acquire the Company from the present
14 owner, or to acquire the utility assets from the Company and operate as a
15 regulated utility.

16 The first two alternatives have been explored to a certain extent. I am not aware
17 of any existing regulated utility presently exploring acquisition of this utility, though at
18 least one is nearby and capable of doing so. I also am not aware of any individuals
19 presently considering acquisition of the Company or its assets.

20 **SUMMARY**

21 Q. Would you please summarize your testimony?

Rebuttal Testimony of James A. Merciel, Jr.
Case Nos. WC-2002-155 and SC-2002-160

1 A. Yes. The customer service matters, management deficiencies, and
2 operations deficiencies outlined in the Office of the Public Counsel's testimony are
3 substantially consistent with my experience with, and my knowledge of, the Company
4 and its customers. In my opinion, on a case-by-case basis, the Company has handled
5 some service complaints or other customer service matters adequately, and has
6 handled some inadequately. There is an important need for a substantial capital
7 improvement for the water system, which the Company has been postponing for several
8 years; sewer facilities operations are deficient; and management of Company business
9 such as paying taxes, keeping current on financial obligations, and complying with
10 regulatory requirements is inadequate. Alternative ownership of either the Company or
11 the water and sewer system assets is desirable.

12 In my opinion, the customers would only be satisfied, and receive the best quality
13 utility service, if alternative ownership is somehow accomplished. In my opinion a
14 receiver could be appointed as an interim measure to manage the utility, as it exists
15 today, while some as yet unknown permanent resolution is arranged. A receiver could
16 solve some problems such as day-to-day financial management, but a receiver could
17 not easily resolve issues that require substantial capital investment.

18 **CONCLUSION**

19 Q. Does this conclude your pre-filed rebuttal testimony?

20 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Office of the Public Counsel,
Complainant

v.

Warren County Water and Sewer Company
Respondents.

)
)
)
) Case No. WC-2002-155
) Case No. SC-2002-160
)
)

AFFIDAVIT OF JAMES A. MERCIEL, JR.


STATE OF MISSOURI

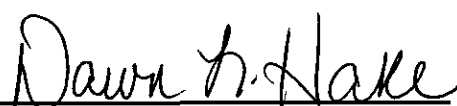
COUNTY OF COLE

)
)
) ss
)

James A. Merciel, Jr., of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony, in question and answer form, consisting of 13 pages and 1 attachment, to be presented in the above case; that he has knowledge of the matters set forth in such answers; and that such answers are true to the best of his knowledge and belief.


James A. Merciel, Jr.


Subscribed and sworn to before me this 26th day of March 2002.


Notary Public

My commission expires

DAWN L. HAKE
Notary Public -- State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

1248 MIMOSA COURT
PO BOX 150
FORISTELL, MISSOURI 63348
(636) 463 1441
(FAX: 636 463 1000)

**WARREN COUNTY
WATER & SEWER**

Fax

To:	From: GARY L. SMITH
JIM MERCEIL	
Fax:	Pages: 4
Phone:	Date: 4-15-01
Re:	CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

I AM ENCLOSING A REVISED "CONTRACT FOR UTILITY SERVICES". I HAVE MADE THE CHANGE YOU REQUESTED WITH REGARD TO LIFT STATIONS. THAT IS THE ONLY CHANGE THAT I WILL BE MAKING.

IN ADDITION, WHEN YOU APPROVED AN INCREASE IN CONNECTION FEES A FEW YEARS AGO, YOUR OFFICE, AND SPECIFICALLY STEVE YOUNGMAYER, EVALUATED WHAT THE COMPANY'S RESPONSIBILITY WAS AND SET THE CONNECTIONS FEES BASED ON YOUR EVALUATION, WHICH OBVIOUSLY WOULD HAVE INCLUDED A REVIEW OF THE TARIFFS. FOR OVER 20 YEARS THIS UTILITY HAS OPERATED WITH THE SAME CONNECTION POLICY. IN MY OPINION ANY JUDGE WILL SAY THAT YOU CAN NOT ARBITRARILY AND CAPRICIOUSLY CHANGE WELL DEFINED POLICY ESTABLISHED OVER ALL THESE YEARS. ALSO, OUR REVENUES ARE A LITTLE OVER \$100,000 PER YEAR. YOUR LETTER WOULD ARBITRARILY RAISE EXPENSES BY ABOUT \$50,000 PER YEAR. OBVIOUSLY WE COULD NOT PAY THAT EVEN IF WE WANTED TO. WITH A SEWER RATE OF \$18.14 PER MONTH AND THE COST OF A NEW SEWER CONNECTION AT OVER \$1,000, IT WOULD TAKE ALMOST SIX YEARS FOR A NEW CUSTOMER TO BEGIN CONTRIBUTING TO THE RATE BASE. THAT IS ASININE. ALSO, LAST YEAR IT COST ALMOST \$30 PER MONTH TO PROVIDE THE NEGLIGIBLE SERVICE THAT WE PROVIDE. FOR YOU TO INCREASE COSTS 50% WITH NO RATE RELIEF IS SILLY.

FOR TEN YEARS I HAVE BEEN LIED TO BY YOUR STAFF ABOUT HOW YOU WERE GOING TO HELP TURN THE FINANCIAL CONDITION OF THIS COMPANY AROUND.. ABSENT THIS COMPANY BEING PLACED ON A FINANCIALLY SECURE BASIS, THE OPTION YOU PEOPLE WERE FACED WITH IN 1991, WHEN I WAS FIRST PROMISED HELP, IS ABOUT TO COME TRUE THIS YEAR.

April 15, 2001

FINALLY I AM DISTURBED BY YOUR STATEMENT THAT TARIFFS AND SERVICE AREAS WITH REGARD TO SUMAC RIDGE MEAN NOTHING. WHY HAVE I SPENT ALL OF THE LEGAL EXPENSES FOR NOTHING AND WHY DO YOU WANT TO TRY TO MANUFACTURE TARIFFS AGAINST ME WHILE IGNORING THEM AS TO EVERYONE ELSE.

BASED ON MY EXPERIENCE WITH YOUR OFFICE, YOUR LETTERHEAD "QUALITY UTILITY SERVICES" IS A COMPLETE JOKE AND SHOULD BE REMOVED.

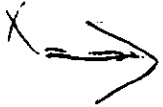
**WARREN COUNTY WATER & SEWER CO.
2615 FAIRWAY DRIVE, P. O. BOX 150
FORISTELL, MISSOURI 63348
(636) 463-1441 OR 463-1000**

*Revised contract
Sent to staff
4/01*

CONTRACT FOR UTILITY SERVICES

The undersigned hereby request that the above utility provide water and sewer service to the property described below. As consideration for providing such service, the Customer agrees to **PAY a CONNECTION FEE in the sum of \$300.00 for WATER and a CONNECTION FEE in the amount of \$150.00 for SEWER service.** All parties acknowledge that rates and other regulatory matters are governed by tariffs issued by the Missouri Public Service Commission and Regulations of the Missouri Department of Natural Resources; that all parties are bound thereby; and, further, that failure to comply with such rules will result in disconnection of service.

- (1.) Customer agrees to provide at least 48 hours notice **PRIOR** to intended connection of service and agrees that all connection fees due the utility are payable to the Utility **PRIOR** to connection of service. **UPON COMMENCEMENT OF CONSTRUCTION, ALL LINES INSTALLED BY CUSTOMER'S CONTRACTOR MUST BE LEFT EXPOSED UNTIL INSPECTION AND APPROVAL BY UTILITY.**
- (2.) In consideration of the above, Utility agrees to tap the water and sewer mains at Customer's property line; install a water meter, including pit and cover; provide a sewer clean out; and, generally, to provide access to service at Customer's property. Customer is responsible for constructing and maintaining service lines from the water and sewer taps to the water meter pit and the sewer clean out and, further, run service lines from those points, to the Customers home.
- (3.) **NON-UTILITY SERVICES:** The following services are non-regulated services provided by the Utility for the benefit of new Customers. Such services are not regulated by the Missouri Public Service Commission and are the Customers responsibility. These services may be purchased from any reputable contractor and are offered by the Company solely as a convenience to new customers.
 - (a.) The construction division of the Company will bore the street in front of Customers proposed new home as follows:
 - (1.) For water lines, the charge for running a one-inch line from the opposite side of the street to customer's front yard is \$700.00,
OR
 - (2.) For sewer lines, the charge for running a four-inch sewer line from the opposite side of the street to the customer's front yard is \$1,000.00.
 - (3.) As consideration for the above, Company will seed and straw, if necessary, the ground opposite Customer's home. Further, Company will restore asphalt to original condition. Grading,



seeding, etc. on Customer's property is the Customer's responsibility

- P2
Revised
4/01
- (b.) The construction division of the Company will run water and sewer service lines from the water meter pit and the sewer clean-out to Customer's home for the sum of \$700.00. Said water line will be 1" in size with 3/4" copper to be run into the home. Said sewer line will be 4" schedule 35 and connect to a schedule 40 4" sewer connection at Customer's footing. For homes with water only, said price will be negotiated based upon the length of the proposed service line.

OK
→

In the event the Customer is required to install an individual lift station for the purpose of providing sewer service, said station, pursuant to MO PSC Regulations, is to be purchased from the Company or meet its specifications which are on file at the Company's office. The current cost of said lift station is \$2500.00. The Customer is responsible for installation of said system. The Company will install said lift station from electrical wires to be run by the Customer for the total sum of \$500.00. From, and after appropriate installation, the Utility will maintain said system according to tariffs issued by the MOPSC.

Non-regulated services may be purchased from any contractor, providing services are installed appropriately. NON-PSC REGULATED utility services are subject to change in price without further notice. The above non-utility prices are based upon normal installation and may vary depending on specific lots and installation requirements, i.e., if boring is not necessary, the above cost will be less; if rock is encountered, the cost will be greater. Company will negotiate with Customer prior to initiating such work.

All MOPSC regulated fees, \$300.00 for water and \$150.00 for sewer, must be paid prior to connection. All Non-regulated fees are due and payable ten (10) days after completion of installation.

AGREED:
CUSTOMER:

UTILITY:
WARREN COUNTY WATER & SEWER CO.

LOT:
SUBDIVISION:

BY: _____
GARY L. SMITH, PRESIDENT

ADDRESS: _____
FORISTELL, MO 63348

DATED: _____, 2001



Commissioners

SHEILA LUMPE
Chair

M. DIANNE DRAINER
Vice Chair

CONNIE MURRAY

ROBERT G. SCHEMENAUER

KELVIN L. SIMMONS

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

BRIAN D. KINKADE
Executive Director

GORDON L. PERSINGER
Director, Research and Public Affairs

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

Facsimile Memo to: **Gary Smith** Fax no. **636-463-1000**
Warren County Water and Sewer Co.

From: **Jim Merciel** Fax no. **573 751-1847**
Tel. **573 751-3027**

April 12, 2001 -- Total pages: 6 --

RE **Tariff rules for water service lines and service sewers and the Contract for Utility Services**

I think your company needs to delete a paragraph in the Contract for Utility Services, and change either another paragraph in the Contract or change two rules in the sewer tariff.

The part of the Contract that I think needs to be deleted is Paragraph (3.)(a.)(1.) that calls for a \$700 charge to be paid by the customer when a water service line is run across the street. The tariff rules clearly state that service lines are constructed, owned, and maintained by the company. There is a \$300 connection charge authorized by the tariff. As you recall, you filed a tariff seeking to change this connection charge, but after the filing became a formal case you did not file testimony to support the change and the case was dismissed. You could still file a case of some type to support such a change. To the extent your company must spend funds on service lines beyond that collected by the \$300 charge, those expenditures should be capitalized, and by collection of return and depreciation in the future your company would ultimately recover those funds from all customers.

Regarding purchase of sewer pump units, tariff rules 12 C and D call for the customer to install a unit that is either obtained through the company, or be approved by the company. However the Contract states that the pump units are "to be purchased from, or through, the Company." I don't think these two documents are in agreement, and one of them needs to be changed. I don't have a preference as to which one -- this is a management decision the company must make. If the tariff is changed to require obtaining the units from the company then it would be a simple 30-day filing since no charges are involved.

Regardless of the decision you make regarding the sewer pump unit policy, I think the Contract needs to be changed because of the water service line rules.

This matter needs to be resolved in the context of the Turner complaint case, WC-200-474. We will also need to decide what to do with the condition and installation of the pump unit installed on their property.

I will be available to discuss this matter next week. Thanks for your attention.

c: Ruth O'Neill fax 751-5562

Attachment 1-5

Jim Merciel
Page 2 Para C

**WARREN COUNTY WATER & SEWER CO.
 2615 FAIRWAY DRIVE, P. O. BOX 150
 FORISTELL, MISSOURI 63348
 (636) 463-1441 OR 463-1000**

CONTRACT FOR UTILITY SERVICES

The undersigned hereby request that the above utility provide water and sewer service to the property described below. As consideration for providing such service, the Customer agrees to PAY a CONNECTION FEE in the sum of \$300.00 for WATER and a CONNECTION FEE in the amount of \$150.00 for SEWER service. All parties acknowledge that rates and other regulatory matters are governed by tariffs issued by the Missouri Public Service Commission and Regulations of the Missouri Department of Natural Resources; that all parties are bound thereby; and, further, that failure to comply with such rules will result in disconnection of service.

- Markup by
 Merciel sent to
 Gary 4/12/01*
- (1.) Customer agrees to provide at least 48 hours notice PRIOR to intended connection of service and agrees that all connection fees due the utility are payable to the Utility PRIOR to connection of service. UPON COMMENCEMENT OF CONSTRUCTION, ALL LINES INSTALLED BY CUSTOMER'S CONTRACTOR MUST BE LEFT EXPOSED UNTIL INSPECTION AND APPROVAL BY UTILITY.
 - (2.) In consideration of the above, Utility agrees to tap the water and sewer mains at Customer's property line; install a water meter, including pit and cover; provide a sewer clean out; and, generally, to provide access to service at Customer's property. Customer is responsible for constructing and maintaining service lines from the water and sewer taps to the water meter pit and the sewer clean out and, further, run service lines from those points, to the Customers home.
 - (3.) **NON-UTILITY SERVICES:** The following services are non-regulated services provided by the Utility for the benefit of new Customers. Such services are not regulated by the Missouri Public Service Commission and are the Customers responsibility. These services may be purchased from any reputable contractor and are offered by the Company solely as a convenience to new customers.

Delete this paragraph (a.) The construction division of the Company will bore the street in front of Customers proposed new home as follows:

- never
 tariffs* 5(a) X —
- (1.) For water lines, the charge for running a one-inch line from the opposite side of the street to customer's front yard is \$700.00, OR
 - (2.) For sewer lines, the charge for running a four-inch sewer line from the opposite side of the street to the customer's front yard is \$1,000.00.
 - (3.) As consideration for the above, Company will seed and straw, if necessary, the ground opposite Customer's home. Further, Company will restore asphalt to original condition. Grading,

seeding, etc. on Customer's property is the Customer's responsibility

(b.) The construction division of the Company will run water and sewer service lines from the water meter pit and the sewer clean-out to Customer's home for the sum of \$700.00. Said water line will be 1" in size with 3/4" copper to be run into the home. Said sewer line will be 4" schedule 35 and connect to a schedule 40 4" sewer connection at Customer's footing. For homes with water only, said price will be negotiated based upon the length of the proposed service line.

(c.) In the event the Customer is required to install an individual lift station for the purpose of providing sewer service, said station, pursuant to MO PSC Regulations, is to be purchased from, or through, the Company. The current cost of said lift station is \$2500.00. The Customer is responsible for installation of said system. The Company will install said lift station from electrical wires to be run by the Customer for the total sum of \$500.00. From, and after appropriate installation, the Utility will maintain said system according to tariffs issued by the MOPSC.

Non-regulated services may be purchased from any contractor, providing services are installed appropriately. NON-PSC REGULATED utility services are subject to change in price without further notice. The above non-utility prices are based upon normal installation and may vary depending on specific lots and installation requirements, i.e., if boring is not necessary, the above cost will be less; if rock is encountered, the cost will be greater. Company will negotiate with Customer prior to initiating such work.

All MOPSC regulated fees, \$300.00 for water and \$150.00 for sewer, must be paid prior to connection. All Non-regulated fees are due and payable ten (10) days after completion of installation.

AGREED:
CUSTOMER:

UTILITY:
WARREN COUNTY WATER & SEWER CO.

LOT:
SUBDIVISION:

BY: _____
GARY L. SMITH, PRESIDENT

ADDRESS: _____
FORISTELL, MO 63348

DATED: _____, 2001

P.S.C. MO No. 1

Original

Sheet No. 4

Name of Utility: Warren County Water and Sewer Co., Inc.

Service Area: Incline Village and surrounding area

RECEIVED

JUL 10 1998

Rules Governing Rendering of
Water Service

MO. PUBLIC SERVICE COMM

AVAILABILITY:

Any metered customer within the Company's service area and adjacent to Company's water distribution mains suitable for supplying the service requested.

Rates:

Residential Monthly Charge:

Customer Charge \$ 7.50

Commodity Charge \$ 2.42 per 1000 gal. usage

Temporary Charges: (For construction purposes)

\$10.00 Monthly minimum

\$ 2.42 per 1000 gal. usage

Service Connections:

All new service connections shall pay an initial fee of \$300.00

Taxes:

This rate does not include any Municipal, State or Federal taxes computed on either billing or consumption basis. Any such taxes applicable shall be added as separate items in rendering each bill.

FILED

- * Indicates new rate or text
- + Indicates change

AUG 24 1998
MISSOURI
Public Service Commission

DATE OF ISSUE

JUL 10 1998

Month Day Year

DATE EFFECTIVE

AUG 17 1998

Month Day Year

ISSUED BY

Gary L. Smith

Pres.

GARY L. SMITH
1948 MISSOURI CT

Attachment 1-8

Name of Utility: Warren County Water and Sewer Co., Inc.

Service Area: Incline Village and surrounding area

RECEIVED

Rules Governing Rendering of
Water Service

JUL 13 1998

MO. PUBLIC SERVICE COMMISSION

Rule 5 INSIDE PIPING AND WATER SERVICE LINES

- Must delete
Contract
(3)(a)(1)*
- (a) The company will provide water service at the outdoor meter, or at the property line. Separate buildings shall be served through separate water service lines.
 - (b) The service connection from the water main to the customer's property line, the meter installation and setting shall be constructed, owned and maintained by the company. Water service line construction and maintenance from the property line or meter setting, including the connection to the meter setting, to the building shall be the responsibility of the customer, and is subject to inspection by the company. Customers shall be responsible for the cost of repairing any damage to the company's mains, meters, and meter installations caused by the customer, his agent, or tenant.
 - (c) Existing water service lines may be used in connecting with new buildings only when they are found by examination and testing not to constitute a hazard to the health and safety of any customer or the company's facilities.
 - (d) The water service line shall be brought to the unit at a depth of not less than 36 inches and have a minimum inside diameter of 3/4 inch. The customer is responsible for the determination of whether or not a larger size is needed to provide adequate flow to the unit. A valve must be installed in the service line where it enters the unit. This valve must be kept in good repair in order to shut off the water supply and drain the inside plumbing, if necessary.
 - (e) Water service lines and inside piping shall be of material conforming to recognized standards for potable water service and shall have a pressure rating of at least 160 psi working pressure.
 - (f) The company will not install a service connection to a vacant lot.
 - (g) Any change in the location of an existing service connection requested by the customer shall be made at his expense.

* Indicates new rule or text

+ Indicates change

FILED

AUG 24 1998

Public Service Commissioner

JUL 10 1998

DATE OF ISSUE

DATE EFFECTIVE

AUG 17 1998

AUG 22 1998

ISSUED BY

Gary L Smith
name of officer

title

GARY L. SMITH
1248 MIMOSA CT.
FORISTELL, MO 63348

Cancelling P.S.C.MO. No. _____

{Original} SHEET No. _____
~~Revised~~

WARREN COUNTY WATER AND SEWER CO.

For INCLINE VILLAGE, et al

Name of Issuing Corporation

Community, Town or City

FORISTELL, MO

RECEIVED

RULES AND REGULATIONS GOVERNING RENDERING OF SERVICE

JUL 13 1998RULE # 12

MO. PUBLIC SERVICE COMM

RULES AND REGULATIONS FOR CUSTOMERS SERVED BY THE PRESSURIZED COLLECTION SYSTEM

- A. Rates schedules as incorporated in these rules and regulations, and rules not applying specifically to gravity sewers are hereby incorporated by reference and shall be applicable to pressure sewer Customers.
- B. Definitions
1. "Pump Unit" - A self contained device which grinds solids or separates solid from liquid waste, retaining the solids or reducing them so they may be pumped with the liquid waste under pressure to collecting sewers. The device also contains level controls for interim storage of liquid waste and intermittent pump operation as a function of liquid level with appropriate malfunction alarms, pressure controls and check valves to insure cooperative operation with similar units.
 2. "Repairable Parts" - One motor, one pump, one liquid level control, one heater, if applicable, one pressure-release valve, two check valves, one gate valve and one alarm system.
- C. All components utilized in a pump unit must be either purchased from the Company or meet its specifications which shall be on file at the Company's office.
- D. The Customer must furnish at his own expense, one pump unit or equal of suitable capacity which must either be furnished through or be approved by the Company prior to installation on the Customer's premises. Installation costs of the pump unit, electrical service and service sewers between the dwelling and the pump unit at Company's collecting sewers shall be the responsibility of the Customer. Electricity costs for pump operation shall be the responsibility of the Customer.

*Either change these rules**OR*
change contract
(3)(c)

AUG 22 1998

96-449

MISSOURI

Public Service Commission

*Indicates new rate or text

+Indicates change

DATE OF ISSUE July 10, 1998

month day year

DATE EFFECTIVE August 17, 1998

month day year

ISSUED BY GARY L. SMITH PRESIDENT 1248 MIMOSA CT. FORISTELL, MO 63348

name of officer

address

Attachment 1-10