

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

The Staff of the Missouri Public)	
Service Commission,)	
)	
Complainant,)	
)	
v.)	<u>Case No. WC-2006-0363</u>
Franklin County Service Company, Melody)	
Lake Water & Sewer, LLC, Melody Lake)	
Ranch Associates, Inc., and Gerald Johnston,)	
)	
Respondents.)	

RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through Counsel, and for its Response to Order Directing Filing (Response) respectfully states the following:

1. On April 23, 2007, the Commission issued its Order Directing Filing (Order), in which it directed the Staff to file a pleading no later than May 15, 2007 responding to several matters set out in that Order. Specifically, the Commission set out five statements that are guiding it in its consideration of this case, and directed Staff to file a response explaining how each of these matters is satisfied. The Staff's responses to each of the matters set out in the Order are set out below.

(a) The Association was organized as a not-for-profit corporation for the benefit of the property owners.

Response: Melody Lake Ranch Associates, Inc. (MLRA) is an association of lot owners in Melody Lake Ranch Subdivision (the subdivision), and is a non-profit corporation in good standing. It is the Staff's understanding, based on the documents received in the context of this case, that all property owners in the subdivision are automatically members of MLRA.

MLRA created Melody Lake Water & Sewer, LLC (LLC) for the purpose of owning and operating the water and sewer utility systems in the

subdivision for those subdivision lot owners who desire and pay for water and/or sewer service. LLC owns the utility assets.

Per Section 1E of LLC's Amended Operating Agreement, it has two categories of members: (1) Equity Members and (2) Voting Members. Further, the only Equity Member is MLRA and Voting Members are the owners of lots located within the subdivision that receive water and/or sewer services.

Limited liability corporations are, generally, organized for the benefit of their members. In this particular instance, LLC's members are clearly defined as consisting of the property owners association and the utility customers.

Accordingly, Staff believes this particular criteria has been met, even though the owner of the utility assets in this instance is not a not-for-profit corporation.

(b) All customers currently served by the subject water and/or utility assets are members of the Association.

Response: When read in context with one another, Sections 1E, 1F & 1G of LLC's Amended Operating Agreement clearly provide that water and/or sewer utility customers are members of LLC.

(c) Only members of the Association will be served by the subject water and/or sewer utility assets.

Response: Since the utility systems are located within the confines of the subdivision and considering how membership in LLC is defined in the Amended Operating Agreement, the Staff believes that only members of LLC will be served by the utility assets.

(d) The Association's action regarding water and/or sewer utility matters will be under the control of the members that are also the customers served by the subject water and/or sewer utility assets.

Response: As stated in the first "Whereas" clause of the Amended Operating Agreement, one of the purposes of that agreement is ". . . to provide control. . . by lot owners that receive water and/or sewer service as opposed to lot owners that receive no such services." Further, when read in context with one another, Sections 1E, 1F and 1G of the Amended Operating Agreement clearly provide that water and/or sewer utility customers are members of LLC with voting rights and that those voting rights clearly provide the necessary control over LLC's actions.

(e) The Association owns the subject water and/or sewer assets and thus has control over such assets.

Response: The Assets were transferred to the LLC by the Asset Purchase Agreement dated September 15, 2004, attached to the Staff Recommendation in EFIS Item 20. In that recommendation, Staff explained all of the intricacies of this matter that need Commission review and authorization.

2. The Commission also suggests that there is a discrepancy between the Staff's dismissal of Gerald Johnston as one of the Respondents pursuant to Commission Rule 4 CSR 240-2.116 and Mr. Johnston's signature of LLC's Amended Operating Agreement, as LLC's President and Manager. Gerald Johnston was the president of LLC at the time that the signatures were placed on the documents, however, Staff now understands, based on information and belief, that Mr. Johnston has his house for sale, is moving out of the subdivision and is no longer involved in any of the utility operations. Further, the Staff has been informed that LLC has a new president as well as other new officers. This is the reason that the Staff dismissed Mr. Johnston as a Respondent, and is also the reason that the Staff does not believe there is any discrepancy between that action and Mr. Johnston's prior actions as an officer of LLC.

3. Lastly, the Staff also recommends that the Commission require all other Parties in this case to respond to this filing within 10 days.

WHEREFORE, the Staff respectfully submits this Response for the Commission's consideration in this case.

Respectfully Submitted,

/s/ Robert V. Franson_____

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 15th day of May 2007.

/s/ Robert V. Franson_____