

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

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 Water and Sewer Systems in)
Lincoln County, Missouri)
File No. WA-2015-0019

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and recommends, subject to the modification stated herein, that the Commission grant to Missouri-American Water Company (“MAWC” or “Company”) a Certificate of Convenience and Necessity (“CCN”) to provide regulated water and sewer services in and around a subdivision known as Anna Meadows in Lincoln County, Missouri. In support of this *Recommendation*, Staff states as follows:

1. On July 21, 2014, Missouri-American Water Company (“MAWC”) filed its *Application and, if Necessary, Motion for Waiver* (“Application”) seeking a CCN for authority to install, own, acquire, construct, operate, control, manage, and maintain water and sewer systems in Lincoln County, Missouri.

2. On July 29, 2014, the Commission issued its *Order Directing Notice, Setting Deadline for Applications to Intervene and Directing Staff to File a Status Update*, setting an intervention deadline of August 28, 2014, and ordering Staff to file a status update or its recommendation no later than August 29, 2014. No parties have intervened.

3. On August 28, 2014, Staff filed its *Status Update* and requested an extension of time to file its recommendation. The Commission granted this request on

September 9, 2014, and ordered Staff to file its recommendation no later than September 28, 2014.

4. Pursuant to Section 393.170, RSMo (2013), no water and/or sewer corporation shall provide service to consumers without first having obtained approval from the Commission. In determining whether or not to grant such approval, the Commission has traditionally applied the five “Tartan Energy Criteria” established in *In the Matter of Tartan Energy Company, et al.*, 3 Mo. PSC 3d 173, 177 (1994): (1) there must be a need for the service; (2) the applicant must be qualified to provide the service; (3) the applicant must have the financial ability to provide service; (4) the applicant’s proposal must be economically feasible; and (5) the service must promote the public interest.

5. As explained in the Staff *Memorandum*, attached hereto as Appendix A, Staff conducted an investigation into MAWC’s request. Based upon this review, Staff has determined that MAWC fulfills the requirements of the Tartan Energy Criteria. As such, Staff asserts that this transfer is necessary and convenient for the public service and is not detrimental to the public interest.

6. The Commission need not hold a hearing if, after proper notice and opportunity to intervene, no party requests such a hearing. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo. App. W.D. 1989). No party or individual has requested a hearing, so the Commission need not hold a hearing to grant a CCN to the Company.

WHEREFORE, Staff respectfully submits this Staff Recommendation for the Commission’s information and consideration and requests the Commission grant

Missouri-American Water Company a Certificate of Convenience and Necessity to provide water and sewer service to the modified service area described in the Staff *Memorandum* attached hereto.

Respectfully submitted,

/s/ Whitney Hampton

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CERTIFICATE OF SERVICE

I certify that a true and accurate copy of the foregoing was mailed, electronically mailed, or hand-delivered to all parties to this cause on this 26th day of September, 2014.

/s/ Whitney Hampton

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WA-2015-0019
Missouri-American Water Company

FROM: Jim Merciel – Water and Sewer Unit; Case Coordinator
Paul Harrison – Auditing Unit
Art Rice – Engineering and Management Services Unit
J. Kay Niemeier – Engineering and Management Services Unit

<u>/s/ Jim Merciel</u>	<u>September 26, 2014</u>
Case Coordinator	Date

<u>/s/ Kevin Thompson</u>	<u>September 26, 2014</u>
Staff Counsel	Date

SUBJECT: Staff’s Recommendation to Approve a Certificate of Convenience and Necessity
(Anna Meadows)

DATE: September 28, 2014

CASE BACKGROUND

On July 21, 2014, Missouri-American Water Company (MAWC or Company) filed an *Application and, if Necessary, Motion for Waiver* (Application) with the Commission seeking a Certificate of Convenience and Necessity (CCN) and authority “to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain Water and Sewer Systems,” and provide water and sewer service in an unincorporated area in Lincoln County, specifically in and around a subdivision known as Anna Meadows. In the Application MAWC states that it intends to provide service in the area by acquiring an existing water system and an existing sewer system that are both presently in place, are serving the Anna Meadows subdivision, and are presently owned by the Anna Meadows Homeowners Association, Inc.¹ (Association).

¹ Although the Application and supporting documents use the name Anna Meadows Homeowners Association, LLC, the name of the corporation as shown on the Missouri Secretary of State website shows it as Anna Meadows Homeowners Association, Inc. Staff will use the name with “Inc.” and MAWC has acknowledged verbally to Staff that it believes “Inc.” is correct.

On July 29, 2014 the Commission issued its *Order Directing Notice, Setting Deadline for Applications to Intervene and Directing Staff to File a Status Update* (Order) regarding the Company's Application. The Order directed the Commission's Data Center and Public Information Office to send out notices regarding the Application, and also established a deadline of August 28, 2014, for interested parties to submit requests to intervene in the case. No requests to intervene in the case were submitted to the Commission. The Order also directed Staff to file a status update or a recommendation no later than August 29, 2014. On August 28, 2014, Staff submitted its *Status Update* in which it requested an additional thirty (30) days to file a recommendation. On September 9, 2014 the Commission granted Staff's request and set the date for Staff to submit its recommendation as September 28, 2014.

BACKGROUND OF THE UTILITY SYSTEMS

Anna Meadows is a rural residential subdivision located south of the city of Moscow Mills in Lincoln County. The subdivision has 175 lots. At the time Staff visited the service area on August 20, 2014 there were 67 homes constructed and occupied, and at least 13 homes under construction. The water and sewer systems were constructed by the subdivision developer for use by the residents of Anna Meadows, and are now owned by the Association.

The water system consists of a single well with a master meter, a chlorine disinfection system, a bolted steel standpipe storage tank, and a distribution system. There are no water meters on customer service lines. Although the Staff has not been able to verify actual pumping production, the water system was designed for the subdivision in accordance with the Missouri Department of Natural Resources (DNR) *Minimum Design Standards for Missouri Community Water Systems*, referred to as the "Design Guide," and was approved for construction by DNR. The storage tank has adequate volume to meet one-day average use for the entire subdivision after the 175 lot build-out. Such capacity would be used during times when the single well pump fails and must be replaced, which is a day-long task.

The sewer system consists of gravity sewers, and an extended aeration mechanical treatment facility with a daily flow capacity of 62,500 gallons. The sewer system is also of adequate capacity to serve the Anna Meadows subdivision after build-out of all 175 lots.

There are no significant deficiencies with respect to the water and sewer systems. In addition to requirements of the Commission, MAWC will need to continue, or implement, system operations procedures that would comply with DNR requirements.

STAFF'S INVESTIGATION

MAWC is a regulated water and sewer utility serving more than 450,000 water customers and more than 4,000 sewer customers throughout the state. It has been in business as a water utility for many decades, and over the years it has acquired some of its systems, both large and small, through various mergers and acquisitions. In recent years MAWC has acquired several small existing water and

sewer systems; in the context of sale cases if involving existing regulated utilities, or CCN cases if outside any of MAWC's existing service areas and involving systems owned by homeowners associations or other entities not regulated by the Commission. MAWC is a subsidiary of American Water Works Company, Inc., and is affiliated with other companies that undertake some of the tasks associated with utility service.

Although the Anna Meadows water and sewer systems were designed and constructed only for the Anna Meadows subdivision lots, Staff believes that it is reasonable for MAWC to also hold itself out to provide service to adjacent areas outside of the subdivision itself, which MAWC contemplates by requesting in the Application a service area that is substantially larger than the subdivision. As a part of its review of this case, Staff studied the service area boundary as proposed and filed by MAWC including during a field visit to the area. Because of distances, the proximity of a creek, and inclusion of low-lying farm land, Staff suggested a modification to the service area boundary, resulting in a reduction of the size of the service area proposed to be served. Staff's suggested service area is shown as a description on Attachment A, and as a map on Attachment B. MAWC has verbally indicated to Staff its agreement with this modification of proposed service area.

In its Application, MAWC states that it intends to utilize rates that the Association has in place for its members. MAWC represents that the rates are \$35 per month for water service and \$35 per month for sewer service. These rates would be in effect until other rates are approved by the Commission in a future rate proceeding. MAWC also states that it requests the Commission approve rules and regulations currently in effect for water service in its St. Louis Metro service area to apply to water service in the Anna Meadows service area, and approve rules and regulations currently in effect for sewer service in its Warren County service area to apply to sewer service in the Anna Meadows service area. Staff agrees this proposal is reasonable.

To accomplish this for water service, Staff recommends that the Commission authorize MAWC to submit, for its existing water tariff No. 13, new tariff sheets depicting the Anna Meadows service area with both a map and written description, a new tariff sheet with water rates specific to Anna Meadows, and a replacement tariff sheet, Sheet No. RT9.2, retaining existing water service charges, but to include Anna Meadows along with existing applicability to MAWC's Brunswick, Jefferson City, Joplin, Mexico, Platte County, St. Joseph & Warrensburg service areas.

For sewer service, Staff recommends that the Commission authorize MAWC to submit new tariff sheets for its existing sewer tariff No. 7, depicting the Anna Meadows service area with both a map and written description, sewer rates specific to Anna Meadows, and sewer service charges similar to those in effect for the Warren County service area but excluding existing Capacity Charges that are designed specifically for financial support of MAWC's Warren County sewer system.

Staff will offer to assist MAWC with preparation of appropriate tariff sheets, if desired.

TECHNICAL, MANAGERIAL, AND FINANCIAL CAPACITY

DNR reviews new proposed water system operations using, among other criteria, determination of technical, managerial and financial capacities of the operation, or TMF. These review criteria points were developed by the United States Environmental Protection Agency. Although utilized by DNR for new water systems, Staff finds the concepts of TMF useful in studying some situations involving existing water and/or sewer systems as well. Staff's TMF review is as follows:

Technical Capacity

MAWC, along with its affiliates, has experience in the design, operations and upgrades of water and sewer systems, both large and small. MAWC has a staff of professional operators, engineers, technicians, accountants and customer service specialists, including those within various supervisory levels, to undertake utility operations, and also has access to professional staff personnel of its affiliates. MAWC also utilizes contractors for various tasks primarily for extraordinary work or to supplement in-house work during unusually heavy workload times. Anna Meadows is within reasonable working proximity to other systems owned and operated by MAWC, specifically both a large water system serving a portion of St. Charles County, and a small water and sewer subdivision-size system in Warren County. MAWC has demonstrated, over many years, its ability to operate water and sewer systems on a continual basis from a technical capacity perspective.

The Anna Meadow water system has no serious deficiencies, although MAWC likely will undertake some relatively minor repairs and improvements, such as improving ventilation in the wellhouse chlorine room to minimize further corrosion of metal pipe and wellhouse components. Although not explicitly stated in the Application, MAWC may at some time choose to install meter settings and meters on the service connections for each of the customers, so as to utilize metered rates in the future. Any such capital costs will be reviewed in the context of future rate cases after new plant is placed into service.

Managerial Capacity

Similar to its technical capacity, MAWC's staff of professionals, along with staff associated with MAWC's affiliates, provides the ability to undertake facility operations, and handle all aspects of customer service. MAWC has, at most times over the years, demonstrated such ability with other service areas; however, Staff points out that recently MAWC has experienced some issues with certain aspects of services provided to its customers through affiliates. MAWC utilizes a nationwide billing system and utilizes nationwide call centers through affiliates. In order to include Anna Meadows customers into its billing and customer service systems, it will be necessary for MAWC, along with its affiliates, to properly enter Anna Meadows customer account information into its billing system, to accurately apply appropriate approved rates, and to obtain and record correct meter readings if and when meters are installed and used with future metered rates. Also, it will be necessary for MAWC or an affiliate to provide updated information to the call center personnel, and

training as necessary, regarding rates and rules applicable to Anna Meadows customers such that billings are accurate and customer service matters are handled accurately and properly.

Financial Capacity

The Auditing Unit and Depreciation Unit conducted a review of plant-in-service records and expense records for the Anna Meadows systems. Attachment C, incorporated herein by reference, shows information for Anna Meadows projected plant-in-service, depreciation reserve, CIAC and CIAC amortization balances as of December 31, 2014 (subject to any necessary capital additions, as a result of equipment failure for example, between the time that this case closes and the end of the year) with an estimated rate base as of that date of \$623,924². Since the systems are constructed to serve a considerably greater number of customers that are being served, when Missouri-American files its next rate case, application of an “excess capacity” adjustment may be necessary in order to determine rates. The Anna Meadows water system is designed to provide service to approximately 165 customers; however, as of the current date, it only has 71 customers. Likewise, the Anna Meadows sewer system is designed to provide service to approximately 171 customers and, as of the current date, has only 71 customers.

In regard to the matter of whether an acquisition premium exists as a result of the proposed acquisition, the purchase price being paid by MAWC is less than the net book value, as calculated by Staff for the water and sewer assets that are being acquired, and less than the rate base amount estimated by Staff. Staff recommends that the account balances shown in Attachment C to this Memorandum should be the account balances as of December 31, 2014 (subject to any necessary capital additions between the time that this case closes and the end of the year) to be used by MAWC as of that date. However, this Staff-recommended balance could be subject to change or modification in future cases, if and when additional information becomes available, and may also be modified due to application of a possible excess capacity adjustment if necessary.

By Commission regulations, MAWC should keep its financial records for utility plant-in-service and operating expenses in accordance with the National Association of Regulatory Utility Commission (NARUC) Uniform System of Accounts. Staff will recommend the Commission specifically require such recordkeeping requirements apply to the Anna Meadows service area.

The Commission’s Engineering and Management Services Unit (EMSU) recommends the Commission approved the use of current water and sewer depreciation rates that were ordered by the Commission for MAWC in Case Nos. WR-2011-0337 and SR-2011-0338, to be applied to the Anna Meadows utility plant assets acquired from the Association. The depreciation rate schedule for water assets are included as Attachment D, and depreciation rate schedule for sewer assets are included as Attachment E, and incorporated herein by reference.

² This rate base number simply reflects Staff’s findings in a review, and is presented for information only. There has been no negotiation with other parties who might be interested in a rate base level and who might believe a different number is appropriate. The Staff is not recommending that the Commission make any finding on rate base level, nor make adjustments to any existing rates or charges, in this case.

CUSTOMER SERVICE AND BILLING ISSUES

In previous CCN or transfer cases where MAWC was acquiring systems and additional customers, Staff either stipulated or recommended that MAWC undertake actions and submit reports to Staff that address a variety of customer service and billing issues. These actions and reports were stipulated or recommended in Case Nos. WM-2001-0309, WR-2003-0500 and WR-2007-0216 in order 1) to ensure transparency to the former customers during the transition period, 2) to ensure the Company's billing information was accurate, 3) to ensure the former customers were being properly billed and 4) to ensure the Company adhered to applicable rules and regulations and its tariffs. The recommended actions for this current case include:

- Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13.020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application,
- Requires MAWC to distribute to Anna Meadows customers an informational brochure detailing the rights and responsibilities of the utility and its customers, prior to the first billing from MAWC, consistent with the requirements of Commission Rule 4 CSR 240-13(3),
- Requires MAWC to include the Anna Meadows customers along with existing customers for its monthly reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness, 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing, 7) Call Center Staffing Levels, including job titles and the number of people employed in each category, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated meter reads, 10) the number of consecutive estimated reads and 11) the meter reader staffing levels. The reported information shall include the Anna Meadows customers,
- Requires MAWC to provide adequate training to all customer service representatives prior to the Anna Meadows customers receiving their first bill from MAWC,
- Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Anna Meadows customers that were issued for greater than thirty-five (35) days of service,
- Requires MAWC to provide to the EMSU staff within thirty (30) days after billing, a sample of ten (10) billing statements of its first month bills issued to the Anna Meadows customers, in order to check for accuracy.

In Case No. WC-2014-0138, a complaint filed by the Office of the Public Counsel against MAWC on November 13, 2013 and subsequently consolidated with 25 formal complaints filed by individual

customers regarding similar service issues in MAWC's Stonebridge service area, Staff was made aware of customer service and billing issues. There were twenty (20) recommendations made to MAWC in Staff's Report filed March 14, 2014.

Staff wants to ensure that the Anna Meadows customers are accurately billed by the Company, and for this reason recommends the Commission order MAWC to require these actions and reports to apply to the Anna Meadows service area as well as to MAWC's existing service areas.

THE TARTAN ENERGY CRITERIA

As is customary with most cases involving a new CCN, Staff is using criteria similar to that which was studied by the Commission in a past CCN case that was filed by the Tartan Energy Company to justify granting a CCN, as follows:

Is there a need for service?

Yes, there is a need for service, in that residential customers desire and need water and sewer service. Additionally, proper operation and upkeep of these existing water and sewer systems are necessary in order that customers will have safe and adequate service, and to maintain compliance with drinking water and water pollution control regulations.

Is the Company qualified to provide the service?

Yes, MAWC is qualified to provide the service, as is demonstrated by its providing the same or similar service in other areas of Missouri. Staff has determined that MAWC is able to assume operations of the existing systems, and is capable of undertaking necessary future improvements for continued operations of these systems.

Does the Company have the financial ability to provide the service?

Yes, MAWC has demonstrated that it has sufficient financial resources, and is able to evaluate the costs of alternatives when undertaking operations and capital improvements.

Is the Company's proposal economically feasible?

Yes, the proposal is economically feasible, based on Staff's overall evaluation and MAWC's ability to combine the proposed operation into its existing operations.

Does the Company's proposal promote the public interest?

Yes, MAWC's proposal to acquire the responsibility from current owners and provide future service promotes the public interest.

Could the service be provided by another entity?

Except for the existing Association as the current owner of the water and sewer systems, there are no other entities readily available to provide service. The Association desires that the systems be transferred to MAWC.

OTHER ISSUES

MAWC is current on its annual reports through calendar year 2013, and is current on annual assessment payments through the first quarter of FY-2015.

MAWC is involved with a number of other pending cases before the Commission, as follows:

- WC-2015-0074 - Formal Complaint (BoClair)
- SA-2015-0065 - CCN for service area of the Benton County Sewer District No. 1
- WO-2015-0059 - Infrastructure System Replacement Surcharge
- WC-2015-0030 - Formal Complaint (Shands)
- WO-2014-0362 - Staff Investigation into the Adequacy of the Call Centers
- WC-2014-0358 - Formal Complaint (Koverman)
- WC-2014-0260 - Formal Complaint (City of Houston Lake)
- WC-2014-0161 - Formal Complaint (Smith)
- WC-2014-0138 - Office of the Public Counsel formal complaint on billing matters,
(consolidated with a number of individual formal complaints)
- WC-2013-0468 - Formal Complaint (Harter)

Approval of a CCN for the Anna Meadows service area will have no direct impact upon any of the other pending cases, and any action with regard to pending cases would have no direct impact upon approval of a CCN in this case.

CERTIFICATE OF CONVENIENCE AND NECESSITY

MAWC will need to hold a CCN when it closes and acquires the Anna Meadows water and sewer utility assets, and actually begins providing service to customers. Therefore, Staff recommends that the Commission immediately grant MAWC a CCN, for a service area as modified by Staff, the exercise of which MAWC may begin upon acquisition of the Anna Meadows water and sewer utility assets. Staff recommends that MAWC be required to notify the Commission within five (5) business days after closing takes place. If such transfer does not take place within thirty (30) days after the effective date of a Commission order approving a CCN, then MAWC should submit a status report within five (5) days following that period of time regarding closing of assets, as well as further status reports within five (5) days of each thirty (30) day period following that as necessary. In the event that MAWC determines that closing will not take place at all and it thus will not be providing service in the Anna Meadows service area, then MAWC shall notify the Commission of such, at which time

the CCN issued to MAWC for the Anna Meadows service area should be either canceled or deemed null and void by the Commission.

Staff recommends that MAWC be authorized to file water and sewer tariff sheets, as described above in this memorandum, regarding service area, rates, and service charges, in its appropriate existing water and sewer tariffs, within thirty (30) days after the effective date of the Commission's order approving a CCN, with 30-day notice. Staff also recommends that service not be provided by MAWC in the Anna Meadows service area until such tariff sheets are in effect, but that MAWC could seek expedited treatment if the closing of assets is expected to occur earlier than filed tariff effective dates. In the event that such tariff sheets are filed and in effect for the Anna Meadows service area, and MAWC subsequently determines that it will not be able to close on the water and sewer utility assets and will not be providing service in the Anna Meadows service area, then the Commission should require MAWC to file appropriate replacement sheets with blank pages.

STAFF'S FINDINGS & CONCLUSIONS

Staff takes the position that approval of a CCN for MAWC to provide water and sewer service in the Anna Meadows service area, modified from what was filed in the Application as agreed between MAWC and Staff, is in the public interest. The current owner of the assets, the Association, wishes to transfer the assets to MAWC, and MAWC has adequate technical, managerial, and financial capacity to operate and maintain the facilities and provide service to customers.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order that:

- a. Approves the CCN for MAWC to provide water and sewer service, under conditions as described within this memorandum and following;
- b. Requires MAWC to notify the Commission of closing of the assets within five (5) days after such closing;
- c. Authorizes MAWC to submit new tariff sheets, within thirty (30) days of the effective date of an order approving the CCN, as 30-day filings, for its existing water tariff No. 13, depicting the Anna Meadows service area with a written description that is consistent with that as shown by Attachment A, a map consistent with that as shown by Attachment B, a \$35 per month flat rate for water service to be specific to Anna Meadows, and miscellaneous service charges similar to miscellaneous service charges applicable to other MAWC service areas as appropriate and described herein;
- d. Authorizes MAWC to submit new tariff sheets for its existing sewer tariff No. 7, depicting the Anna Meadows service area with a written description that is consistent with that as shown by Attachment A, a map consistent with that as shown by Attachment B, a \$35 per month flat rate for sewer service to be specific to Anna Meadows, and

- miscellaneous service charges similar to those in effect for the Warren County service area but excluding existing Capacity Charges;
- e. If closing does not take place within thirty (30) days following the effective date of the Commission's order, requires MAWC to submit a status report within five (5) days after this 30-day period regarding the status of closing, and additional status reports within five (5) days after each additional 30-day period, until closing takes place, or until MAWC determines that closing will not occur;
 - f. Requires MAWC, if it determines that closing will not occur, to notify the Commission of such, after which time the Commission may cancel, or deem null and void, the CCN issued to MAWC, and order replacement of any tariff sheets specific to the Anna Meadows service area that may have become effective;
 - g. Authorizes MAWC to utilize and apply depreciation rates as shown in Attachments D and E;
 - h. Requires MAWC to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
 - i. Requires MAWC to keep operations records including those for customer complaints/inquiries, meter placement and replacement/testing, vehicle, equipment and telephone use records, and customer account records;
 - j. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the subject Certificate, including expenditures related to the certificated service area, in any later proceeding;
 - k. Requires MAWC to ensure adherence to Commission Rule 4 CSR 240-13,020(1) regarding the production of customer bills within a 26-35 days of service billing period within thirty (30) days of the Commission order approving the Application;
 - l. Requires MAWC to distribute to Anna Meadows customers an informational brochure detailing the rights and responsibilities of the utility and its customers, prior to the first billing from MAWC, consistent with the requirements of Commission Rule 4 CSR 240-13(3);
 - m. Requires MAWC to include the Anna Meadows customers along with existing customers for its reporting to the EMSU staff for 1) Average Abandoned Call Rate, 2) Average Speed of Answer, 3) 1st Call Effectiveness and 4) Average Customer Response Time, 5) Call Volumes, 6) Call Center Staffing and 7) Call Center Staffing Levels, 8) the number of actual monthly meter reads in total and by district, 9) the number of monthly estimated

- meter reads, 10) the number of consecutive estimated reads, and 11) the meter reader staffing levels;
- n. Requires MAWC to provide adequate training to all customer service representatives prior to the Anna Meadows customers receiving their first bill from MAWC;
 - o. Requires MAWC to provide to the EMSU staff on a monthly basis a document detailing the bills to Anna Meadows customers that were issued for greater than thirty-five (35) days of service; and,
 - p. Requires MAWC to provide to the EMSU staff within thirty (30) days after billing a sample of ten (10) billing statements of its first month bills issued to the Anna Meadows customers.

Staff will file a further recommendation regarding approval of the tariff sheets that MAWC will be submitting in accordance with the Commission's order granting the CCN.

List of Attachments:

- Attachment A – Staff Proposed Written Description of Service Area
- Attachment B – Staff Proposed Map of Service Area
- Attachment C – Auditing Unit Plant-in-Service Balances
- Attachment D – Depreciation Accrual Rates for Water Plant
- Attachment E – Depreciation Accrual Rates for Sewer Plant

WA-2015-0019

Attachment A

Staff Proposed Description of Service Area

Anna Meadows service area description
WA-2015-0019

As filed by MAWC:

Commencing at the northwest corner of the NE $\frac{1}{4}$ of Section 26, Township 48 North, Range 01 East; thence east along said section line to a point at the common corner to Sections 26, 25 Township 48 North, Range 01 East; thence east along said section line to the northeast corner of the NW $\frac{1}{4}$ of Section 25, Township 48 North, Range 01 East; thence south to a point at the southeast corner of the SW $\frac{1}{4}$ of Section 25, Township 48 North, Range 01 East; thence west along the south line of section 25 to a point at the common corner to Sections 25, 26 Township 48 North, Range 01 East; thence west along the south line of section 26 to a point at the southwest corner of the SE $\frac{1}{4}$ of Section 26, Township 48 North, Range 01 East; thence north to the Point of Beginning.

Proposed by Staff:

Commencing at a point in that is 1,500 feet due west of the northwest corner of the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 25, Township 48 North, Range 01 East; thence due east 1,500 feet to the said northwest corner of the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 25; thence east along the quarter-quarter section line to the northeast corner of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 25, Township 48 North, Range 01 East; thence south along the quarter section line to a point at the Big Creek, said point also being on the county line between St. Charles County and Lincoln County; thence generally southwesterly along the Big Creek and said county line to a point on the south line of said Section 25; thence west along the south line of section 25 a distance of approximately 1,300 feet m/l to a point along the Big Creek and said county line; thence generally northwesterly along the said county line to a point on the east line of Section 26, Township 48 North, Range 01 East; thence continuing generally northwesterly along the said county line to a point that is 1,500 feet due west of the east line of Section 26 Township 48 North, Range 01 East; thence north parallel to the east line of said Section 26 a distance of approximately 2,200 feet m/l to the Point of Beginning.

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Attachment B

Staff Proposed Map of Service Area



38 53.615N 90-51.34BWVNC
USNG 15S XD 8595 0715

USGS The National Map

North

Attachment B

v71316

WA-2015-0019

Attachment C

Auditing Unit – Rate Base

Anna Meadows Water & Sewer
 WA-2015-0019 & SA-2015-0019
 Rate Base

Source: MAWC Asset List, Invoices, PO's. and Depreciation Unit Workpapers

Rate Base
As of 12-31-2014

Water		Sewer	
Plant in Service	440,882	Plant in Service	412,726
Reserve	(73,798)	Reserve	(155,886)
Contribution in Aid of Construction	0	Contribution in Aid of Construction	0
CIAC Amortization	0	CIAC Amortization	0
Customer Deposits	<u>-</u>	Materials & Supplies	-
Net Rate Base	367,084	Net Rate Base	256,840
Total Net Rate Base	\$623,924		

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Attachment D

Depreciation Rates for Water Plant

MISSOURI AMERICAN WATER COMPANY - Water
MAWC CCN Case WA-2015-0019 Anna Meadows Acquisition
Same As Ordered Rates from Case WR-2011-0337

DIVISIONS: ALL , Including former Aqua, Loma Linda, and Roark

NARUC USOA ACCOUNT NUMBER	ACCOUNT DESCRIPTION	%	AVERAGE		%	
			DEPRECIATION RATE	SERVICE LIFE (YEARS)		IOWA CURVE
Source of Supply						
311.0	Structures & Improvements	2.36		55	R4	-30
312.0	Collecting & Impoundment Reservoirs	1.25		80	R2.5	0
313.0	Lake, River & Other Intakes	1.77		65	R1.5	-15
314.0	Wells & Springs	1.82		55	R2.5	0
315.0	Infiltration Galleries and Tunnels	1.67		60	R2.5	0
316.0	Supply Mains	1.79		70	R3	-25
317.0	Miscellaneous Source of Supply - Other	4.00		25	SQ	0
Pumping Plant						
321.0	Structures & Improvements	1.80		75	R2.5	-35
322.0	Boiler Plant Equipment	2.22		45	R4	0
323.0	Power Generation Equipment	2.00		50	R3	0
324.0	Steam Pumping Equipment	2.62		42	R1.5	-10
325.0	Electric Pumping Equipment	2.62		42	R1.5	-10
326.0	Diesel Pumping Equipment	2.62		42	R1.5	-10
327.0	Hydraulic Pumping Equipment	2.62		42	R1.5	-10
328.0	Other Pumping Equipment	2.62		42	R1.5	-10
Water Treatment Plant						
331.0	Structures & Improvements	1.69		80	R3	-35
332.0	Water Treatment Equipment	2.89		45	R2.5	-30
333.0	Miscellaneous Water Treat, Other	3.33		30	SQ	0
Transmission and Distribution						
341.0	Structures & Improvements	2.40		50	R2.5	-20
341.1	Structures & Improve - Special Crossing	N/A		N/A	N/A	N/A
342.0	Distribution Reservoirs & Standpipes	2.25		60	R3	-35
343.0,1,2,3	Transmission & Distribution Mains	1.39		90	R2.5	-25
344.0	Fire Mains	1.56		80	S1	-25
345.0	Customer Services	2.92		65	S0.5	-90
346.0	Customer Meters	2.40		40	R1	4
347.0	Customer Meter Pits & Installation	2.40		40	R1	4
348.0	Fire Hydrants	1.85		65	R1.5	-20
349.0	Misc Trans & Dist - Other	2.00		50	R3	0
General Plant						
390.0	Structures & Improve - Shop & Garage	2.40		50	R3	-20
390.9	Structures & Improve - Leasehold	5.00		20	R4	0
391.0	Office Furniture	5.00		20		0
391.1	Computer & Peripheral Equipment	20.00		5		0
391.2	Computer Hardware & Software	20.00		5		0
391.3	Other Office Equipment	6.67		15		0
391.4	BTS Initial Investment	5.00		20		0
392.1	Transportation Equipment - Light trucks	11.25		8	L1.5	10
392.2	Transportation Equipment - Heavy trucks	10.00		9	L2	10
392.3	Transportation Equipment - Autos	18.00		5	L2	10
392.4	Transportation Equipment - Other	5.67		15	S2.5	15
393.0	Stores Equipment	4.00		25		0
394.0	Tools, Shop, Garage Equipment	5.00		20		0
395.0	Laboratory Equipment	6.67		15		0
396.0	Power Operated Equipment	7.73		11	L1.5	15
397.1	Communication Equip - Non Telephone	6.67		15		0
397.2	Communication Equip - Telephone	10.00		10		0
398.0	Miscellaneous Equip	6.67		15		0
399.0	Other Tangible Equipment	5.00		20		0

WA-2015-0019

Attachment E

Depreciation Rates for Sewer Plant

MISSOURI AMERICAN WATER COMPANY- Sewer

MAWC CCN Case WA-2015-0019 Anna Meadows Acquisition

Same as Ordered Rates from Case SR-2011-0338

DIVISIONS: All, including former Aqua, and Roark

<u>NARUC</u> <u>ACCOUNT</u> <u>NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>%</u> <u>DEPRECIATION</u> <u>RATE</u>	<u>AVERAGE</u> <u>SERVICE</u> <u>LIFE (YEARS)</u>	<u>Curves</u>	<u>% NET</u> <u>SALVAGE</u>
COLLECTION PLANT					
351	Structures & Improvements	2.50	50		-25
352.1	Collection Sewers (Force)	2.00	50		0
352.2	Collection Sewers (Gravity)	2.00	50		0
353	Services To Customers	2.00	50		0
354	Flow Measuring Devices	3.33	30		0
356	Other Collection Equipment	2.00	50		0
PUMPING PLANT					
361	Structures & Improvements	2.50	50		-25
362	Receiving Wells	4.00	25		0
363	Electric Pumping Equip, (Includes Generators)	10.00	10		0
364	Diesel Pumping Equipment	10.00	10		0
365	Other Pumping Equipment	10.00	10		0
TREATMENT & DISPOSAL PLANT					
371	Structures & Improvements Treatment & Disposal Equipment,	2.50	50		-25
372	(Includes pumps, blowers, generators)	5.00	26		-30
373	Plant Sewers	2.00	50		0
374	Outfall Sewer Lines	2.00	50		0
General Plant					
390.0	Structures & Improve - Shop & Garage	2.40	50	R3	-20
390.9	Structures & Improve - Leasehold	5.00	20	R4	0
391.0	Office Furniture	5.00	20		0
391.1	Computer & Peripheral Equipment	20.00	5		0
391.2	Computer Hardware & Software	20.00	5		0
391.3	Other Office Equipment	6.67	15		0
391.4	BTS Initial Investment	5.00	20		0
392.1	Transportation Equipment - Light trucks	11.25	8	L1.5	10
392.2	Transportation Equipment - Heavy trucks	10.00	9	L2	10
392.3	Transportation Equipment - Autos	18.00	5	L2	10
392.4	Transportation Equipment - Other	5.67	15	S2.5	15
393.0	Stores Equipment	4.00	25		0
394.0	Tools, Shop, Garage Equipment	5.00	20		0
395.0	Laboratory Equipment	6.67	15		0
396.0	Power Operated Equipment	7.73	11	L1.5	15
397.1	Communication Equip - Non Telephone	6.67	15		0
397.2	Communication Equip - Telephone	10.00	10		0
398.0	Miscellaneous Equip	6.67	15		0
399.0	Other Tangible Equipment	5.00	20		0

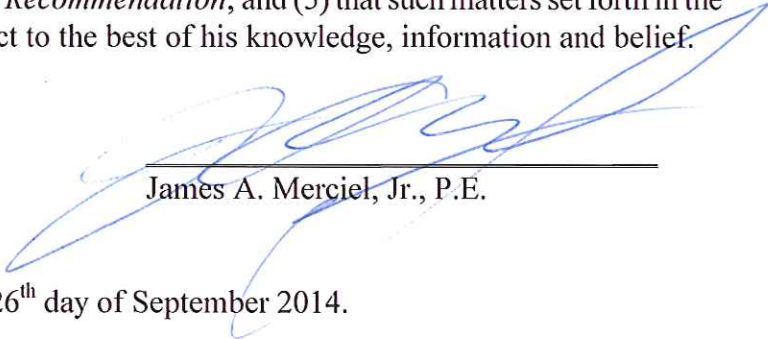
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience and)
Necessity Authorizing it to Install, Own,) File No. WA-2015-0019
Acquire, Construct, Operate, Control, Manage)
and Maintain Water and Sewer Systems in)
Lincoln County, Missouri)

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 Unit of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff's Recommendation*, in memorandum form; (3) that certain information in the *Staff Recommendation* was provided by him; (4) that he has knowledge of matters set forth in the *Staff Recommendation*; and (5) that such matters set forth in the *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 26th day of September 2014.



Notary Public

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. WA-2015-0019
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain Water and Sewer)
Systems in Lincoln County, Missouri)

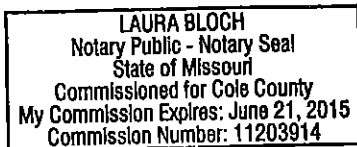
AFFIDAVIT OF PAUL R. HARRISON


STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Paul R. Harrison, 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 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.


Paul R. Harrison

Subscribed and sworn to before me this 25th day of September, 2014.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. WA-2015-0019
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain Water and Sewer)
Systems in Lincoln County, Missouri)

AFFIDAVIT OF ARTHUR W. RICE, P.E.

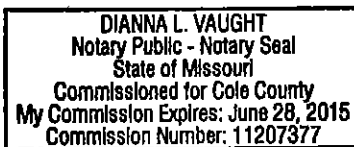
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Arthur W. Rice, P.E., 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 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.

Arthur W Rice

Arthur W. Rice P.E.

Subscribed and sworn to before me this 26th day of September, 2014.



Dianna L. Vaught

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for a Certificate of Convenience) File No. WA-2015-0019
and Necessity Authorizing it to Install, Own,)
Acquire, Construct, Operate, Control,)
Manage and Maintain Water and Sewer)
Systems in Lincoln County, Missouri)

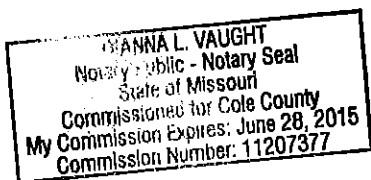
AFFIDAVIT OF J. KAY NIEMEIER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

J. Kay Niemeier, 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.

J. Kay Niemeier
J. Kay Niemeier

Subscribed and sworn to before me this 25th day of September, 2014.



Dianna L. Vaught
Notary Public