

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 26th day of
October, 2006.

In the Matter of the Application of Lake Region)	
Water & Sewer Company for a Certificate of)	
Convenience and Necessity Authorizing It to)	
Construct, Install, Own, Operate, Control, Manage)	<u>Case No. WA-2005-0463, et al.</u>
and Maintain a Water and Sewer System for the)	
Public Located in an Unincorporated Area in)	
Camden County, Missouri)	

**ORDER APPROVING APPLICATION FOR CERTIFICATE OF
CONVENIENCE AND NECESSITY**

Issue Date: October 26, 2006

Effective Date: November 5, 2006

On June 2, 2005, Lake Region Water & Sewer Company filed an application for a certificate of public convenience and necessity to construct, own, and operate a water and sewer system for the public in an unincorporated area of Camden County, Missouri. The application was assigned Case No. WA-2005-0463 for the water application, and Case No. SA-2005-0464 for the sewer application. The two cases were subsequently consolidated.

On June 7, 2005, the Commission issued an order directing that notice of the application be given to the general public and interested parties and directing any person interested in intervening to file an application to intervene no later than June 27, 2005. The Commission did not receive any requests to intervene, but the Commission, acting on its own motion, made the Missouri Department of Natural Resources a party on May 22, 2006.

After many delays occasioned by continued negotiations, the Staff of the Commission and Lake Region filed a stipulation and agreement on September 29, 2006. The same parties then filed an amended stipulation and agreement on October 6. Staff filed suggestions in support of the stipulation and agreement on October 11. No party has responded to Staff's suggestions.

The stipulation and agreement was signed by Staff and Lake Region, but was not signed by either the Office of the Public Counsel or the Department of Natural Resources. Therefore, it was a nonunanimous stipulation and agreement. However, no party objected to the stipulation and agreement within seven days after it was filed. Therefore, as provided by Commission rule 4 CSR 240-2.115(2), the Commission may treat the stipulation and agreement as a unanimous stipulation and agreement.

The stipulation and agreement indicates that Lake Region is an existing water and sewer utility, having first obtained a certificate from this Commission in case number WA-95-164. Lake Region currently serves approximately 460 water customers and 542 sewer customers and, according to Staff, the company is financially sound. Lake Region seeks to expand its service territory to serve a new residential development located next to its current service area. The developer has constructed water and sewer lines to serve the area and will contribute those lines to Lake Region. The stipulation and agreement indicates that there is a need for the proposed service and that Lake Region has demonstrated the technical and managerial ability to develop and operate a water and sewer system.

The stipulation and agreement further states that Lake Region's water supply and storage facilities and sewer treatment facilities currently have sufficient capacity to meet the

immediate demands of the expanded service area. Lake Region has agreed to conduct an engineering study of the facility improvements that will likely be needed to meet the long-term needs of the expanded service area. That study is to be completed no later than six months after the requested certificate is granted.

With one exception, Lake Region's current tariffs and rates for water and sewer service will apply to the expanded service area. The exception concerns Lake Region's existing contribution-in-aid-of-construction (CIAC) charge for its present service area. That CIAC charge does not currently apply to the expanded service area, and Lake Region and the developer of the property are negotiating an agreement on the CIAC charge that will apply to the new service area. The stipulation and agreement indicates that Lake Region will establish a CIAC charge for the new service territory by filing an appropriate tariff within 60 days after its application for certificate is approved. If Lake Region fails to file a new tariff within the agreed upon time, then the existing CIAC charge will apply to the expanded service area.

Section 393.170(3), RSMo 2000, provides that the Commission may grant an application for a certificate if it finds that such a certificate is necessary or convenient for the public service. The stipulation and agreement indicates that there is a need for the service that Lake Region proposes to provide, and that Lake Region has the technical, managerial, and financial capacities needed to serve the proposed service area. The stipulation and agreement further indicates that Lake Region has the financial ability to provide the proposed services, and that the proposed services are economically feasible. Finally, the parties agree that Lake Region's proposal to provide water and sewer service in an expanded service area will promote the public interest.

Based on the stipulation and agreement of the parties, the Commission will approve Lake Region's application.

The Commission reminds the company that failure to comply with its regulatory obligations may result in the assessment of penalties against it. These regulatory obligations include, but are not limited to, the following:

A) The obligation to file an annual report, as established by Section 393.140(6), RSMo 2000. Failure to comply with this obligation will make the utility liable to a penalty of \$100 and an additional \$100 per day that the violation continues. 4 CSR 240-3.335 requires sewer utilities to file their annual report on or before April 15 of each year.

B) The obligation to pay an annual assessment fee established by the Commission, as required by Section 386.370, RSMo 2000. Because assessments are facilitated by order of the Commission, failure to comply with the order will subject the company to penalties ranging from \$100 to \$2000 for each day of noncompliance pursuant to Section 386.570, RSMo 2000.

C) The obligation to provide safe and adequate service at just and reasonable rates, pursuant to Section 393.130, RSMo 2000.

D) The obligation to comply with all relevant state and federal laws and regulations, including but not limited to, rules of this Commission, the Department of Natural Resources, and the Environmental Protection Agency.

E) The obligation to comply with orders issued by the Commission. If the company fails to comply it is subject to penalties for noncompliance ranging from \$100 to \$2000 per day of noncompliance, pursuant to Section 386.570, RSMo 2000.

F) The obligation to keep the Commission informed of its current address and telephone number.

This certificate is granted conditioned upon the compliance of the company with all of these obligations.

Moreover, if the Commission finds, upon conducting a hearing, that the company fails to provide safe and adequate service, or has defaulted on any indebtedness, the Commission shall petition the circuit court for an order attaching the assets, and placing the company under the control of a receiver, as permitted by Section 393.145, RSMo Supp. 2005. As a condition of granting this certificate, the company hereby consents to the appointment of a temporary receiver until such time as the circuit court grants or denies the petition for receivership.

The company is also placed on notice that Section 386.310.1, RSMo 2000, provides that the Commission can, without first holding a hearing, issue an order in any case “in which the commission determines that the failure to do so would result in the likelihood of imminent threat of serious harm to life or property.”

Furthermore, the company is reminded that, as a corporation, its officers may not represent the company before the Commission. Instead, the corporation must be represented by an attorney licensed to practice in Missouri.

IT IS ORDERED THAT:

1. The Amended Stipulation and Agreement filed by the Staff of the Missouri Public Service Commission and Lake Region Water & Sewer Company on October 6, 2006, is approved and the parties are ordered to comply with its terms.

2. Lake Region Water & Sewer Company is granted a Certificate of Convenience and Necessity to construct, install, own, operate, control, manage, and maintain a system for the provision of water and sewer service, to serve an area in Camden County, Missouri, more particularly described in Appendix A to the Stipulation and Agreement of the parties.

3. This certificate is granted upon the conditions set out in the body of this order.

4. Lake Region Water & Sewer Company shall comply with all Missouri statutes and Commission rules.

5. Lake Region Water & Sewer Company shall submit new and revised tariff sheets for its existing tariff including a map and written description of the expanded service area, and indicating the applicability of the existing customer rate and service charges to the expanded service area.

6. The Certificate of Convenience and Necessity granted by this order shall become effective on the effective date of the appropriate tariff sheets.

7. Nothing in this order should be considered as a finding by the Commission of the reasonableness of the expenditures involved with Lake Region Water & Sewer Company's provision of service in the subject service area, of the value for ratemaking purposes of the properties involved in Lake Region Water & Sewer Company's provision of service, or as an acquiescence to any method of cost determination, cost allocation or ratemaking principle.

8. The Commission reserves the right to consider the ratemaking treatment to be afforded the costs associated with Lake Region Water & Sewer Company's provision of service in the subject service area in any future ratemaking proceeding or other appropriate Commission proceeding.

9. This order shall become effective on November 5, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Woodruff, Deputy Chief Regulatory Law Judge