

**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 a Water System and)
Sewer System in and around the City of)
Wood Heights, Missouri)

File Nos. WA-2023-
SA-2023-

**APPLICATION AND
MOTION FOR WAIVER**

COMES NOW Missouri-American Water Company ("MAWC") pursuant to Sections 393.140, and 393.170 RSMo, and 20 CSR 4240-2.060, 20 CSR 4240-3.305, 20 CSR 20 4240-3.600 and 20 CSR 4240-4.017(1)(D), and for its Application and Motion for Waiver, states as follows to the Missouri Public Service Commission:

BACKGROUND INFORMATION

1. This Application is being filed by MAWC to obtain a Certificate of Convenience and Necessity ("CCN") to install, own, acquire, construct, operate, control, manage and maintain a water system and sewer system in and around the City of Wood Heights, Missouri ("Wood Heights"), which is located in Ray County.

2. MAWC is a Missouri corporation, active and in good standing with the Missouri Secretary of State, with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. Pursuant to Commission regulation 20 CSR 4240-2.060(1)(G), MAWC incorporates by reference the certified copies of its articles of incorporation and its certificate of good standing previously filed in File No. WO -2020-0190.

3. MAWC currently provides water service to approximately 480,000 customers and sewer service to approximately 22,000 customers in several counties throughout the state

of Missouri. MAWC is a "water corporation," a "sewer corporation" and a "public utility" as those terms are defined in Section 386.020 and is subject to the jurisdiction and supervision of the Commission as provided by law. MAWC has no overdue Commission annual reports or assessment fees. There is no pending action or final unsatisfied judgment or decision against MAWC from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application.

4. Communications respecting this Application should be addressed to the undersigned counsel and:

Missouri-American Water Company:

Missouri-American Water Company
727 Craig Road
Creve Coeur, Missouri 63141
Attn : Stephen Kadyk
Engineering Manager of Customer Development
Direct Dial 314-239-9515
steve.kadyk@amwater.com

CERTIFICATE OF CONVENIENCE AND NECESSITY

5. MAWC proposes to purchase all of the water and sewer assets of the currently unregulated system of Wood Heights, and requests permission, approval and a CCN to own, acquire, construct, operate, control, manage and maintain the water and sewer systems for the public in an area in and around Wood Heights, Missouri.

6. To provide service to the proposed area, MAWC will purchase the water and sewer systems from Wood Heights. Wood Heights is a fourth-class city located in Ray County. Wood Heights serves approximately 260 water accounts and 190 sewer accounts. The City of Wood Heights has a population of approximately 750.

7. In late December 2020, the City of Wood Heights contacted MAWC requesting assistance with the Wood Heights water and sewer systems due to internal staffing challenges. As a result, on September 7, 2021, The City of Wood Heights and MAWC entered into an Operation and Management Agreement for Water and Sewer Systems (O&M Agreement). The O&M Agreement includes an Option to Purchase System clause. A copy of the O&M Agreement is attached hereto as **Appendix A**.

8. At the time MAWC received the request for assistance, Wood Heights was anticipating losing an employee at the end of 2020. The employee agreed to work part-time and was completely retired in July 2021. Wood Heights subsequently hired a new employee who had no water or sewer experience. In late July 2021, a Wood Heights contract operator who carried the Class A operator's license also resigned. When MAWC entered into the operation and maintenance agreement of the systems, the sewer system was behind on its Daily Monitoring Reports (DMR) in addition to several pressing issues which needed to be corrected. Some of the issues in need of corrective measures for the sewer system included one inoperable clarifier, the drying bed was offline, dissolved oxygen levels were low, and the UV system was not operating properly. In addition, a sewer lift station needed immediate repairs. The water system required a new control panel (SCADA) to control tower water levels and a water system pump required repair.

9. Wood Heights purchases water from Ray County PWSD #2. The transmission and distribution system consists of a booster pump station, a 100,000-gallon elevated storage tank and approximately 49,000 feet of 2-inch, 4-inch, and 8-inch water main. There are approximately 42 fire hydrants on the system. The original water system was placed into service in 1957.

10. The wastewater system consists of a treatment facility and collection system. The

treatment plant consists of a plant lift station, coarse screening headworks, oxidation ditch, secondary clarifiers and a UV disinfection system. The collection system consists of approximately 13,600 feet of 8-inch, 10-inch and 12-inch gravity sewer and approximately 3,200 feet of 6-inch forcemain with approximately 40 manholes. There are two lift stations in the system.

11. On January 13, 2022, the City of Wood Heights passed Ordinance No. 2022-4 (“Ordinance”). *An Ordinance calling for an election in the City of Wood Heights, Missouri to be held on April 5, 2022 for the purpose of submitting to the qualified voters of the City a proposition to sell certain assets associated with the City’s water and wastewater systems to Missouri-American Water for their approval pursuant to the authority granted by and subject to the provisions of revised Missouri Statute section 393.320.* A copy of the Ordinance is attached hereto as **Appendix B**. Section 1 of the Ordinance provided notice of an election to be held on April 5, 2022, to vote whether the water and wastewater systems should be sold to Missouri-American Water. Section 4 of the Ordinance provided that the City of Wood Heights had negotiated a contract with Missouri-American Water for the sale of the municipal water and wastewater systems for a purchase price of \$1,000,000.00. The question on the ballot was:

Shall the City of Wood Heights, Missouri, be authorized to sell its water and wastewater (sewer) utility to Missouri-American Water for the sum of \$1,000,000.00 (One Million Dollars)?

12. A Town Hall Meeting was held on March 22, 2022, to discuss the proposed sale. MAWC representatives attended the Town Hall Meeting and were available to answer any questions. Notification of the Town Hall Meeting sent to the residents is attached hereto as **Appendix C**.

13. An election was held on April 5, 2022, with over 83% of the votes in favor of Wood

Heights selling its water and sewer systems to MAWC. There were 132 total votes cast of which 110 voted "yes" and 22 voted "no".

14. On January 10, 2023, MAWC entered into an *Agreement for Purchase of Water and Wastewater System* ("*Purchase Agreement*") with Wood Heights. A copy of the *Purchase Agreement* is attached as **Appendix D**. The schedules and exhibits to the *Purchase Agreement* have not been created at this time. In most cases, they are prepared if and when approval is received by the Missouri Public Service Commission to proceed with the transaction since these items are part of the closing process.

15. MAWC proposes to purchase the water and sewer utility assets of Wood Heights, as specifically described in, and under the terms and provisions of the *Purchase Agreement*. A legal description of the area sought to be certificated is attached as **Appendix E**. A map of the area sought to be certificated is attached to this Application as **Appendix F**.

16. Attached hereto and marked as **Appendix G-C** is a list of ten residents or landowners within the proposed service area. **Appendix G-C** has been identified as Confidential in accordance with Commission Rule 20 CSR 4240-2.135(2)(A)1, as it contains customer specific information.

APPRAISAL

17. MAWC seeks to establish the ratemaking rate base associated with the Wood Heights' water and sewer assets pursuant to Section 393.320, RSMo. Section 393.320.2 states as follows:

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

18. MAWC is a “large water public utility” as it is a “public utility regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service.” Section 393.320.1 (1), RSMo. Wood Heights is a “small water utility” as it is a “water system or sewer system owned by a municipality that regularly provides water service or sewer service to eight thousand or fewer customer connections.” Section 393.320.1 (2), RSMo.

19. Section 393.320.3 (1), RSMo requires an appraisal to be performed by three appraisers. Such an appraisal has been performed on the Wood Heights water and sewer systems and is attached hereto as **Appendix H**. The appraisal references the Flinn Engineering Report which is attached hereto as **Appendix I**. The appraisal contains a joint assessment of fair market value of the water system and sewer system.

20. Section 393.320.5 (1), RSMo states, in part, that the “lesser of the purchase price or the appraised value, together with the reasonable and prudent transaction, closing, and transition costs incurred by the large water public utility, shall constitute the ratemaking rate base for the small water utility as acquired by the acquiring large water public utility...” In this case, the purchase price is \$1,000,000.00 (\$800,000 for water system assets, and \$200,000 for sewer system assets). Therefore, the purchase price together with the reasonable and prudent transaction, closing, and transition costs incurred by MAWC, shall constitute the ratemaking rate base.

ADDITIONAL INFORMATION

21. Attached hereto and marked as **Appendix J-C** is the feasibility study for the water system and **Appendix K-C** is the feasibility study for the sewer system. No external financing is anticipated. **Appendix J-C** and **Appendix K-C** have been marked as "Confidential" in accordance with Commission Rule 20 CSR 4240-2.135(2)(A)3, 4 and 6 as they contain market specific information and information representing strategies employed in contract negotiations.

22. Attached hereto and marked as **Appendix L** is an Integration Appendix that includes information relevant to the integration process of this proposed acquisition.

TARIFFS/RATES

23. MAWC proposes to provide water service pursuant to the existing rates currently applicable to MAWC's St. Joseph Service Area and to utilize the rules governing the rendering of water service currently found in MAWC's water tariff P.S.C. MO No. 13 until such time as the rates and rules are modified according to law. MAWC proposes to provide sewer service pursuant to the existing rates currently applicable to MAWC's Lawson Service Area and to utilize the rules governing the rendering of sewer service currently found in MAWC's sewer tariff P.S.C. MO No. 26, until such time as the rates and rules are modified according to law.

24. The current water and sewer rates for Wood Heights are as follows:

Current Rates

Water (per Wood Heights City Ordinance No. 20177 dated Jan. 24, 2017)

First 1,000 gallons (Base Rate).....\$35.75

Charge for each 1,000 gallons thereafter will be:

Second 1,000 gallons\$10.75

Third 1,000 gallons\$11.75

Fourth 1,000 gallons\$12.75

Fifth 1,000 gallons and up	\$13.75
Sewer (per Wood Heights City Ordinance No. 20153 dated June 23, 2015)	
First 1,000 gallons (Base Rate).....	\$36.05
Each additional 1,000 gallons.....	\$5.05

PUBLIC INTEREST

25. The grant of the requested CCN (and approval of the underlying transaction) is in the public interest and will result in the provision of regulated water and sewer service to the current and future residents of the service area. The water and sewer assets of Wood Heights would be acquired by MAWC, a Missouri public utility, and be subject to the jurisdiction of the Commission. MAWC has considerable expertise and experience in providing water and sewer utility services to residents of the State of Missouri and is fully qualified, in all respects, to own and operate the water and sewer systems currently being operated in and around the City of Wood Heights.

26. The City of Wood Heights water and sewer customers will benefit from this acquisition for various reasons, which include the need for investment to replace aging infrastructure, the need for investment to maintain compliance with existing and new regulations, to relieve the responsibility of operating and maintaining systems in the face of ever-increasing complexity and liability and the desire to maintain affordability.

MOTION FOR WAIVER

27. Commission Rule 20 CSR 4240-4.017(1) provides that "(a)ny person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case." A notice was not filed 60 days prior to the filing of this Application. As such, and to the extent required, MAWC seeks a waiver of the 60-day notice requirement.

28. Rule 20 CSR 4240-4.017(1)(D) provides that a waiver may be granted for good cause. In this regard, MAWC declares (as verified below) that it has had no communication with the Office of the Commission (as defined by Commission Rule 20 CSR 4240-4.015(10)) within the prior 150 days regarding any substantive issue likely to be in this case, other than those pleadings filed for record. Accordingly, for good cause shown, MAWC moves for a waiver of the 60-day notice requirement of Rule 20 CSR 4240-4.017(1) and acceptance of this Application at this time.

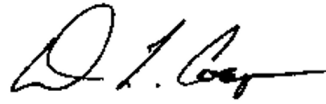
WHEREFORE, MAWC requests the Commission issue an order:

1. Granting MAWC permission, approval and a Certificate of Convenience and Necessity authorizing MAWC to install, acquire, build, construct, own, operate, control, manage and maintain water and sewer systems for the public within the area referred to above;

2. Granting MAWC permission to acquire the water and sewer assets identified herein of the City of Wood Heights, Missouri; and,

3. Authorizing MAWC to take such actions as may be deemed necessary and appropriate to accomplish the purposes of the *Purchase Agreement* and the Application and to consummate related transactions in accordance with the *Purchase Agreement*.

Respectfully submitted,



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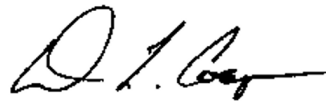
**ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 5th day of April 2023, to:

General Counsel's Office
staffcounsel@psc.mo.gov


Office of the Public Counsel
opcservice@opc.mo.gov



VERIFICATION

State of Missouri)
)
County of St. Louis) ss

I, Timothy W. Luft, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice-President - Legal of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of MAWC, that I have knowledge of the matters stated herein, and that said matters are true and correct to be best of my knowledge and belief. Additionally, no representative of MAWC has had any communication with the office of the Missouri Public Service Commission as defined in Commission Rule 20 CSR 4240-4.015(10) within the immediately preceding 150 days regarding the subject matter of this Application.



List of Appendices

Appendix A	Operation and Management Agreement for Water and Sewer Systems
Appendix B	Ordinance
Appendix C	Town Hall Meeting Notifications
Appendix D	Purchase Agreement
Appendix E-1	Legal description - Water
Appendix E-2	Legal description - Wastewater
Appendix F-1	Map - Water
Appendix F-2	Map - Wastewater
Appendix G-C	List of Ten Residents
Appendix H	Appraisal
Appendix I	Flinn Engineering Report
Appendix J-C	Feasibility Study – Water
Appendix K-C	Feasibility Study – Sewer
Appendix L	Integration