

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

In the Matter of the Missouri-American Water )  
Company Application for a Certificate of )  
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 No. WA-2023-0345**

**STAFF RECOMMENDATION**

**COMES NOW** the Public Service Commission Staff (“Staff”), through counsel, and recommends the Commission authorize the sale of water and sewer utility assets belonging to the City of Wood Heights (“Wood Heights”) to Missouri-American Water Company (“MAWC”). Staff further recommends that MAWC be issued a new certificate of convenience and necessity (“CCN”) to provide water and sewer service in the area currently served by Wood Heights. Staff states as follows:

1. On April 5, 2023, MAWC filed an *Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”) requesting a Certificate of Convenience and Necessity (“CCN”) authorizing it to install, own, acquire, construct, operate, control, manage, and maintain certain water and sewer system assets in and around the City of Wood Heights, Missouri. Wood Heights serves approximately 260 water accounts and 190 sewer accounts.<sup>1</sup>

2. Also in its Application, MAWC requests a waiver of the 60 day notice requirements of 20 CSR 4240-4.017(1). MAWC verified that in the prior 150 days, it had no Commission communication regarding any issue likely to be substantive in this case. Staff does not oppose this request.

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<sup>1</sup> Application, §2.

3. On April 24, 2022, the Commission ordered Staff to file a recommendation regarding MAWC's application, or an alternative pleading, by May 24, 2023. No parties sought to intervene in the case, and to date, the Commission has not received any public comments regarding this matter.

4. Pursuant to §393.170, RSMo, no water or sewer corporation shall provide service to consumers without first obtaining Commission approval. Section 393.190, RSMo requires Commission approval prior to a transfer of utility assets.

5. The Commission has articulated criteria to be used when evaluating CCN applications: (1) there must be a need for the service, (2) the applicant must be qualified to provide the proposed service, (3) the applicant must have the financial ability to provide the service, (4) the applicant's proposal must be economically feasible, and (5) the service must promote the public interest.<sup>2</sup> These factors are referred to as the "Tartan factors." In addition to the Tartan factors, when considering applications involving existing water and/or sewer systems, the Commission analyzes the applicant's Technical, Managerial, and Financial ("TMF") capabilities.

6. As explained in the Staff *Memorandum*, attached, Staff investigated MAWC's request. Based upon this investigation, Staff determined that MAWC possesses the necessary TMF capabilities and fulfils the requirements of the Tartan factors. Accordingly, Staff asserts that approving the utilities' sale to MAWC is not detrimental to the public interest and that issuance of a CCN to MAWC is necessary or convenience for the public service. Staff recommends that the Commission authorize

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<sup>2</sup> *In re Intercon Gas, Inc.*, 30 Mo. P.S.C. 554, 561 (1991); *In re Application of Tartan Energy Co.*, 3 Mo. P.S.C.3d 173 (1994).

and MAWC to enter into, execute, and perform in accordance with the terms described in the *Agreement for Purchase of Water and Wastewater Systems*, attached as Appendix D to the Application. Staff further recommends that MAWC be granted a CCN to provide water and sewer service in the territory currently served by Wood Heights, with conditions described in the Staff *Memorandum*.

7. MAWC seeks to purchase the Wood Heights systems pursuant to §393.320, RSMo, “the appraisal statute.” According to the terms of the appraisal statute, if a large water and/or sewer company, such as MAWC, acquires the assets of a small utility, such as Wood Heights,’ and certain procedures are followed, the lesser of the appraised value or the purchase price establishes the systems’ rate base for the purpose of ratemaking. One of these procedures is that an appraisal be prepared of the systems’ fair market value. Section 393.320.3(1) states:

An appraisal shall be performed by three appraisers. One appraiser shall be appointed by the small water utility, one appraiser shall be appointed by the large water public utility, and the third appraiser shall be appointed by the two appraisers so appointed. Each of the appraisers shall be a disinterested person who is a certified general appraiser under chapter 339.

8. The appraisal for the Wood Heights systems is attached to MAWC’s Application as Appendix H. MAWC stated in response to a data request that it selected Joseph Batis as its appraiser, Wood Heights selected Elizabeth Goodman Schneider as its appraiser, and Mr. Batis and Ms. Goodman Schneider selected Ed Dinan as the third appraiser.<sup>3</sup>

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<sup>3</sup> MAWC response to Staff DR13.

9. Counsel found that \*\* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] . \*\*

10. The Commission need not hold a hearing if, after proper notice and opportunity to intervene, no party requests a hearing.<sup>6</sup> Should no party or individual request a hearing in this matter, the Commission need not hold a hearing to allow the utilities' sale and issue a new CCN to MAWC.

**WHEREFORE**, Staff respectfully submits this *Staff Recommendation* for the Commission's information and consideration.

Respectfully submitted,

**/s/ Karen E. Bretz**  
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<sup>4</sup> MAWC response to Staff DR18.  
<sup>5</sup> MAWC response to Staff DR19.  
<sup>6</sup> *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo.App. W.D. 1989).

**CERTIFICATE OF SERVICE**

I certify that copies of the foregoing have been electronically mailed to all counsel of record on this 24th day of May, 2023.

**/s/ Karen E. Bretz**

## MEMORANDUM

**TO:** Missouri Public Service Commission  
Official Case File, Case No. WA-2023-0345  
Missouri-American Water Company

**FROM:** Melanie Clark – Water and Sewer Department  
Andrew Harris – Water and Sewer Department  
Antonija Nieto – Auditing Department  
Seoungjoun Won – Financial Analysis Department  
Sarah Fontaine – Customer Experience Department

/s/ Melanie Clark 5/24/23                      /s/ Karen Bretz 5/24/23  
Case Manager / Date                                      Staff Counsel’s Office / Date

**SUBJECT:** Staff’s Recommendation to Approve Certificate of Convenience and Necessity

**DATE:** May 24, 2023

### EXECUTIVE SUMMARY

In its Application for Certificate of Convenience and Necessity (“CCN”) authorizing it to install, own, acquire, construct, operate, control, manage, and maintain a water and sewer system in and around the City of Wood Heights (“City”), Missouri, Missouri-American Water Company (“MAWC”) has elected to exercise an option provided by §393.320, RSMo. The procedures outlined in this statute may be applied when a “large water public utility” as defined by the statute<sup>1</sup> acquires a “small water utility,” also as defined.<sup>2</sup> §393.320, RSMo, provides large water public utilities an alternative procedure to value acquisitions of small water utilities for ratemaking purposes (appraisal method). If a large water public utility chooses to use these procedures, the

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<sup>1</sup> §393.320.1, RSMo, defines “Large water public utility” as, “a public utility that regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service but shall not include a sewer district established under Section 30(a), Article VI of the Missouri Constitution, sewer districts established under the provisions of chapter 204, 249, or 250, public water supply districts established under the provisions of chapter 247, or municipalities that own water or sewer systems[.]”

<sup>2</sup> §393.320.2, RSMo, defines “Small water utility” as, “a public utility that regularly provides water service or sewer service to eight thousand or fewer customer connections; a water district established under the provisions of chapter 247 that regularly provides water or sewer service to eight thousand or fewer customer connections; a sewer district established under the provisions of chapter 204, 249, or 250 that regularly provides sewer service to eight thousand or fewer customer connections; or 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; and all other entities that regularly provide water service or sewer service to eight thousand or fewer customer connections.”

Commission, should it grant the large water public utility's application, must use the appraisal method to establish the ratemaking rate base of the small water utility being acquired.

The appraised value in this case is \$1,200,000 combined for both systems. The agreed upon purchase price is \$1,000,000. Staff reviewed the Application, Appraisal Report, and Engineering Report, performed an on-site investigation of both the water and sewer systems, reviewed City records as well as MAWC's responses to Staff issued data requests, and has determined that MAWC's acquisition of the City's water and sewer assets is in the public interest. Staff recommends approval of MAWC's Application, subject to the conditions found at the end of this document.

### **CASE BACKGROUND**

On April 5, 2023, MAWC filed an Application with the Missouri Public Service Commission ("Commission") for CCNs authorizing it to install, own, acquire, construct, operate, control, manage, and maintain a water and sewer system in the City of Wood Heights, Missouri, which is located in Ray County ("Application"). In its Application, MAWC states that it intends to acquire substantially all the water and sewer utility assets that are presently owned and operated by the City. The City's systems, as municipal utilities, are not presently subject to the jurisdiction of the Commission. The Application was docketed in two separate cases, Case Nos. WA-2023-0345 and SA-2023-0346, which were consolidated by the Commission, with Case No. WA-2023-0345 being designated the lead case.

On April 24, 2023, the Commission issued its *Additional Order Directing Filing*. The Commission established an initial date of May 24, 2023, by which Staff would file a recommendation or an alternative pleading. No parties sought to intervene in the case.

For this case, MAWC has chosen to exercise an option provided by §393.320, RSMo. This statute may be applied when a large water public utility as defined by the statute acquires a small water utility also as defined. For purposes of assessing compliance with §393.320, the Appraisal is discussed in further detail later in this memorandum.

### **BACKGROUND OF MAWC**

MAWC is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. MAWC is currently providing water service to approximately 480,000 customers and sewer service to approximately 22,000 customers in several service areas throughout Missouri. In recent years, MAWC has acquired several existing small water and sewer systems.

MAWC is a subsidiary of American Water Works Company, Inc. ("American Water"), and is affiliated with other American Water companies that undertake some of the tasks associated with utility service, such as customer billing, and share technical resources. MAWC has no pending

legal action or judgement from any state or federal agency or court which involves customer service or rates, nor been the recipient of a judgement in the three (3) years prior to the date of the Application.

On September 7, 2021, MAWC and the City entered an Operations and Management contract for the water and sewer systems that also contained an option to purchase the systems. On January 10, 2023, MAWC entered into a Purchase Agreement with the City to obtain substantially all the City's water and sewer utility assets.

### **BACKGROUND OF WOOD HEIGHTS**

The City of Wood Heights (City) is a fourth-class city with a population of approximately 750, located in Ray County. According to the application, the City serves 260 water accounts and 190 sewer accounts. For water supply, the City purchases water from Ray County Water District 2 (RCWD2) and owns the distribution system. Approximately twelve residents inside city limits are serviced by RCWD2. MAWC states<sup>3</sup> there is an agreement between MAWC and RCWD2 allowing them to maintain those connections. For sewage treatment, the City owns the collection system and a wastewater treatment facility.

### **STAFF'S INVESTIGATION**

#### **Water and Sewer Systems**

Staff reviewed information provided in the application, DNR compliance records for the systems, and conducted a physical inspection of the system as part of this investigation. With the application, MAWC provided an engineering report prepared by Flinn Engineering dated January 27, 2022. This engineering report was completed as a part of the Valuation Report prepared by Edward J. Batis & Associates for MAWC. \*\* [REDACTED]

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Staff conducted a physical inspection of the City's water and sewer systems on May 3, 2023. As the current contract operator for the City, and with approximately twenty months in that role, MAWC has become familiar with the systems and is demonstrating the technical ability to operate and control the systems.

#### **Description of the Water System**

The City water system is comprised of a subgrade meter vault and booster pump station that is the connection point to RCWD2, a 100,000-gallon elevated storage tank, and approximately 49,000 feet of water main ranging from 2 to 8 inch in diameter with approximately 42 fire hydrants on the system according to the engineering report.

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<sup>3</sup>In two separate emails from two different MAWC representatives, it was stated MAWC has an agreement with RCWD2. Also, MAWC forwarded an email from RCWD2's attorney's stating they approve the proposed service area maps.



While there had initially been concerns of a significant water loss percentage by the City as indicated in the application, MAWC staff during the inspection explained that a meter replacement was the corrective action taken and there is no significant water loss from the system currently.

Staff inspected the meter vault, the elevated storage tank and the previously used adjacent booster pump building. At the time of inspection, Staff found the water system to be in good condition.

### **Description of the Sewer System**

State Operating Permit, No. MO-0036218, was issued to the City on August 1, 2020 with an expiration date of June 30, 2024. Per this permit, the treatment works consist of: influent lift station, bar screen, grit chamber, oxidation ditch, two final clarifiers, UV disinfection, sludge holding tank, sludge/biosolids drying beds, with biosolids land applied. Per the permit, the design capacity is 150,000 gpd and the actual flow is 128,200 gpd. Per the engineering report, the collection system is comprised of 16,800 feet of a mix of older clay and newer PVC pipe.

Staff inspected the treatment plant and the two lift stations. At the time of inspection, Staff found the sewer system to be in good condition. MAWC has installed a temporary aerator at the oxidation ditch while under the operations contract. This temporary aerator would not remain if MAWC does not receive the CCN.

### **Proposed Improvements to the Water and Sewer Systems**

During the inspection at the water and sewer systems on May 3 and further following communication, Company staff discussed some of the investment upgrades that would be considered if the CCN is granted. Among these are SCADA for remote operational monitoring and control for both systems, aeration rotor replacement along with concrete walkway leveling at the oxidation ditch, and ventilation at the influent headworks building for the sewer system. In the existing condition, the walkway presents a safety hazard to operation and maintenance personnel, and the influent building presents a safety hazard of trapped sewer gases. Additionally, new pumps, electrical panel, an automatic transfer switch for the generator, would be upgrades for the lift station that was identified as a concern by the Mayor prior to the vote to sell the systems.

In response to DR0002, MAWC states that it plans on investing between \$1M and \$2M over the next five years to upgrade the Wood Heights' water and sewer systems. The investments will include compliance improvements to the wastewater treatment facility, communications and hydraulic upgrades at multiple sewage lift stations, replacement of water meters, and replacement of deteriorated water mains. As this response was provided prior to the discussion during the physical system inspection where the water system loss culprit was identified as a faulty meter, if the CCN is approved by the Commission, the need for replacement of deteriorated water mains would require further investigation by MAWC to determine scope.

## **Service Area**

Staff reviewed the legal descriptions and has accepted both as filed.

The service area maps filed with the application were reviewed and Staff verified that the water and sewer assets are within the boundaries as filed. The water and sewer service areas vary as necessary to accommodate the existing RCWD2 water customers. Each map needs a minor revision, to include a title for each, identifying them as water or sewer service area. This will be a recommendation for completion at the time of tariff sheet filing.

## **Rate Base**

### **Plant in Service Balances**

The Auditing Department reviewed information provided by MAWC in response to Staff's data requests, MAWC's Application with included sale agreement documents, on-site visits, and MAWC's work papers. MAWC has received budgets and financial reports dating back to 2019 from the City of Wood Heights. Typically, Staff recommends the value of plant investment, or "rate base," by studying documentation of the cost of constructing plant, along with annual depreciation expense, and whether or not plant facilities or money was contributed by customers or land developers.

Staff reviewed the net book value of the facilities using the information included in the Flinn engineering report provided as appendix H to the application and the information included in appendices J-C and K-C to the application. Staff reviewed asset lists, estimated original costs, installation dates, and method the Company used to estimate the net book values for water and sewer systems for its feasibility study.

Paragraph 5(1) of §393.320 RSMo states, "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." In this instance, the \$1,000,000 purchase price is less than the value produced under the appraisal method so Staff recommends a rate base value of \$1,000,000 for the combined assets of the water and sewer systems. Staff does not object to MAWC's quantification of the breakout value of \$800,000 for water system assets and \$200,000 for sewer system, as requested by the Company in its application.

## **Appraisal**

§393.320, RSMo, provides large water public utilities a procedure to value acquisitions of small water utilities, for ratemaking purposes (appraisal method). If a large water public utility chooses to use these procedures, the Commission, should it grant the large water public utility's application, must use the appraisal method to establish the ratemaking rate base of the small water utility being acquired.

The appraisal method outlined in statute requires an appraisal of the small water utility be performed by three (3) separate appraisers; one appointed by the small water utility, one appointed by the large water public utility, and a third chosen by the two appraisers so appointed. The three appraisers then shall perform a joint appraisal of the small water utility property and assets, coming to a common determination of the fair market value of the utility. 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.

Staff reviewed the appraisal report MAWC filed with the Application, which included the methods and assumptions used to evaluate the value of the systems, and included an engineering report describing plant facilities. The appraisal method is used to estimate a market value for the utility systems as a whole to be used as rate base for the system, in lieu of the Commission's typical practice of determining rate base using the net book value of system assets. The appraisal method provides a market value for system assets, including those that are fully depreciated. In this case, the appraised values of the systems are \$1,200,000 for the systems with \$800,000 appraised for the water system and \$400,000 for the sewer system. Staff's conclusion is that the sale price of \$1,000,000 as "rate base," is reasonable and recommends approval by the Commission.

While the appraisal valuation is more than the agreed upon purchase price, Staff reviewed the Appraisal and supporting documentation submitted by MAWC, and finds that MAWC completed the Appraisal process in a manner similar to its previous appraisal cases.

Should the Commission approve MAWC's Application, rate base for the City system must still be reflected on its utility plant account records. These records must be kept in accordance with the USOA, as required by Commission regulations 20 CSR 4240-50.030 for water utilities and 20 CSR 4240-61.020 for sewer utilities. The cost of individual plant assets must be booked into the appropriate plant account with original cost, along with information regarding the year constructed. MAWC will be tasked with making determinations, based on rate base as determined by the appraisal, of values for original cost, depreciation reserve, and CIAC amounts that can be booked in its plant records.

### **Depreciation**

In Case No. WR-2020-0344, the Commission ordered the continued use of the depreciation rates currently ordered for all divisions of MAWC. Staff recommends the use of these rates for all plant in the City service area. These depreciation rates are included as Attachment A.

### **Publicity and Customer Notice**

According to information provided to Staff by MAWC, there was a Town Hall Meeting held on March 22, 2022, to discuss the proposed sale. Notifications of the Town Hall Meeting and election were sent to residents. MAWC representatives were in attendance at the meetings to provide

information and respond to questions. An election was held on April 5, 2022, with over 83% of the votes in favor of Proposition S – which asked whether the City of Wood Heights should 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). There were 132 total votes cast of which 110 voted “yes” and 22 voted “no”.

### **Customer Experience**

The same customer service team that takes care of all MAWC customers will be available for Wood Heights customers to contact toll-free from 7:00 a.m. to 7:00 p.m., Monday through Friday, with 24/7 coverage for emergencies. MAWC proposes to serve Wood Heights’ customers at its already established business office at 30010 D Hwy in Lawson, Missouri. Customers will be able to visit the office location from 7:30 a.m. to 3:30 p.m., Monday through Friday, for billing and customer service inquiries.

MAWC will offer payment options including, cash, check, credit/debit cards, and electronic funds transfers. Online payments can be made using check or credit/debit cards. Customers can also make payments by cash or check in person at an approved payment location. Approved payment locations may be found at [www.amwater.com/myaccount](http://www.amwater.com/myaccount). Customers also have the ability to make payments over the phone using the IVR or with a live agent by calling 866-430-0820.

In order to incorporate the Wood Heights customers into its billing and customer service systems, it will be necessary for MAWC to properly enter the appropriate customer information into its systems and apply the Commission-approved rate. MAWC will also need to provide training to its call center personnel regarding rates and rules applicable to the Wood Heights customers so that customer service matters are handled accurately and in a timely manner.

### **Rate and Tariff Matters**

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

Per City Ordinance 20177, effective on January 24, 2017, the rate structure for water is as follows:

- First 1,000 gallons (Base Rate) \$35.75
- Second 1,000 gallons \$10.75
- Third 1,000 gallons \$11.75

- Fourth 1,000 gallons \$12.75
- Fifth 1,000 gallons \$13.75

Per City Ordinance 20153, effective on June 23, 2015, the rate structure for sewer is as follows:

- First 1,000 gallons (Base Rate) \$36.05
- Each additional 1,000 gallons \$5.05

Based on a monthly average usage of 3,000 gallons, a customer would currently pay \$58.25 and \$46.15 for water and sewer service per month, respectively, or \$104.40 total. Conversely, if the Commission were to approve the rate change proposed by MAWC, the average customer would pay \$35.13 and \$53.83 for water and sewer service per month, respectively, or \$88.96 total.

A map and a legal description of the proposed service area, similar to that as shown on the attachments to the application (E and F), will need to be included in MAWC's water and sewer tariff, MO P.S.C. No. 13, and MO PSC No. 26. Also, the table of contents in both MAWC's water and sewer tariffs will need to be updated to reflect the addition of new and/or revised sheets containing the service area map, legal descriptions, system rates and system charges.

Staff recommends that after approval but before MAWC closes on the utility assets, MAWC submit the new or revised water and sewer tariff sheets such that they may become effective on or before the date MAWC closes on the City assets.

### **Technical, Managerial, and Financial Capacity and Tartan Energy Criteria**

Staff utilizes the concepts of Technical, Managerial, and Financial capabilities (TMF) in studying applications involving existing water and/or sewer systems. Staff has reviewed and stated its position on TMF regarding each of MAWC's affiliates in previous CCN and transfer of assets cases before the Commission. Staff's position on MAWC's ability to meet TMF criteria remains positive regarding those affiliates, and similarly takes the position that MAWC has adequate TMF capability in this case. It is Staff's position that MAWC has the ability to secure funding, to oversee construction of any necessary upgrades or repairs, and the ability to successfully manage operations of the City utility systems.

When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company and referred to now as the "Tartan criteria." The Tartan criteria contemplate 1) need for service; 2) the utility's qualifications; 3) the utility's financial ability; 4) the economic feasibility of the proposal; and, 5) promotion of the public interest. Similar to the TMF capabilities, in previous CCN cases Staff investigated these criteria and that investigation relates to this proposed acquisition. The results of Staff's investigation are outlined on the following page:

### **(1) Need for Service**

There is both a current and future need for water and sewer service. The existing customer base in the City has both a desire and need for service. Further, the City has made the decision to exit the water and sewer utility business, sell the existing system to MAWC, and rely upon MAWC to properly operate and maintain the existing water and sewer system in order that customers will continue to have safe and adequate service.

### **(2) Applicant's Qualifications**

MAWC is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. MAWC is currently providing water service to approximately 480,000 customers and sewer service to approximately 22,000 customers in several service areas throughout Missouri. MAWC is a subsidiary of American Water Works Company, Inc., and is affiliated with other American Water companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources.

### **(3) Applicant's Financial Ability**

MAWC anticipates no need for external financing to complete this acquisition.<sup>4</sup> The purchase price is \$1,000,000.00 (\$800,000 for water system assets, and \$200,000 for sewer system assets).<sup>5</sup> Over many years, MAWC has demonstrated that it has adequate resources to operate utility systems it owns, to acquire new systems, to undertake construction of new systems and expansions of existing systems, to plan and undertake scheduled capital improvements, and timely respond and resolve emergency issues when such situations arise.<sup>6</sup> With consideration of MAWC's financial capacity, the Applicant has the financial ability to provide the service. MAWC is a wholly owned subsidiary of American Water Works Company Inc. ("AWWC"). Over the next five years (2023-2027), S&P expects Ameren Corp.'s elevated capital spending to reflect about \$14 billion - \$15 billion on utility investments.<sup>7</sup> S&P and Moody's rated AWWC as investment grade. S&P rated as "A", while Moody's rated them as "Baa1".<sup>8</sup> Considering the fact that the proposed cost for the Project is less than 0.1% of AWWC's capital expenditures through 2023, it is reasonable to conclude that Ameren Missouri has the financial ability to construct, operate, and maintain the Project.

### **(4) Feasibility of the Proposal**

MAWC's feasibility studies indicate while the purchase of the City's sewer assets will generate positive income, the purchase of the City's water assets will not generate a positive income. However, the effect of this transaction on MAWC's general population of ratepayers is likely to

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4 Paragraph 21, The Application

5 Paragraph 20, The Application

6 Pages 11-25, Richard C. Svindland Direct Testimony, Case Nos. WR-2022-0303 and SR-2022-0304.

7 RatingsDirect, S&P Global Ratings. February 6, 2023.

8 S&P Capital IQ Pro.

be negligible, so it is not detriment to the public interest. MAWC can draw upon the significant resources of its parent company, should any shortfall arise prior to the next rate case.

#### **(5) Promotion of the Public Interest**

The citizens of Wood Heights voted to approve the sale of the water and sewer systems, thereby demonstrating the public interest of these customers. There is significant need for upgrade, repair, and future maintenance, which MAWC can provide. There will be a *de minimis* impact to other MAWC customers, given the cost of the acquisition relative to MAWC's overall rate base. It is Staff's position that granting the CCN promotes the public interest.

Staff's conclusion is that the points regarding TMF capacities and the Tartan Energy criteria are all met, for this case.

#### **OTHER ISSUES**

The City, as an unregulated water and sewer operation, has no obligations due to the Commission, and has no pending actions before the Commission.

MAWC is a corporation that is in "good standing" with the Missouri Secretary of State.

MAWC is current with annual report filings with the Commission through calendar year 2022, as documented on the Commission's Electronic Filing and Information System (EFIS).

MAWC is current on its annual assessment quarterly payments through the second quarter of fiscal year 2023.

MAWC has other pending cases before the Commission, as follows:

- WR-2022-0303 (Rate Case)
- WA-2023-0071 (Application for Certificate)
- WA-2022-0311 (Application for Certificate)
- WC-2023-0278 (Complaint)
- WC-2023-0273 (Complaint)
- WC-2023-0142 (Complaint)
- WC-2023-0106 (Complaint)
- WC-2021-0227 (Complaint)
- WO-2023-0193 (Application to Sell and Deliver for Resale)
- WO-2020-0410 (Application to Change ISRS)
- WW-2019-0242 (Working Docket)

These above-noted pending cases will have no impact upon this proposed case requesting a new CCN for water and sewer service in this requested area, nor will approval of the CCN impact the above-noted pending cases before the Commission.

There are no other active PSC cases that would have an impact on this application.

### **STAFF RECOMMENDATION**

Staff recommends the Commission find that MAWC has complied with the requirements of §393.320, RSMo, and approve MAWC's request for CCNs subject to the following conditions and actions:

1. Grant MAWC a CCN to provide water and sewer service in the proposed City service areas, as outlined herein;
2. Approve existing MAWC water rates applicable to customers outside the St. Louis region for water and sewer rates applicable to Lawson customers;
3. Require MAWC submit tariff sheets, to become effective before closing on the assets, to include adequately identified service area maps, service area written descriptions, rates and charges to be included in its EFIS tariffs P.S.C. MO No. 13 and 26, applicable to water and sewer service, respectively;
4. Require MAWC to notify the Commission of closing on the assets within five (5) days after such closing;
5. If closing on the water and sewer system assets does not take place within thirty (30) days following the effective date of the Commission's order approving such, require MAWC to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until MAWC determines that the transfer of the assets will not occur;
6. If MAWC determines that a transfer of the assets will not occur, require MAWC to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require MAWC to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the City service area in its water and sewer tariffs, and rate and charges sheets applicable to customers in the City service area in both the water and sewer tariffs;
7. Require MAWC to develop a plan to book all of the City plant assets, with the concurrence of Staff and/or with the assistance of Staff, for original cost, depreciation reserve, and contributions (CIAC) for appropriate plant accounts, such that current rate base is broken down as \$800,000 for the water system, and \$200,000 for the sewer system, along with reasonable and prudent transaction, closing, and transition costs. This plan should be submitted to Staff for review within 60 days after closing on the assets;
8. Require MAWC to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;



9. Adopt for MAWC water and sewer assets the depreciation rates ordered for MAWC in Case No. WR-2020-0344;
10. Require MAWC to provide to the CXD Staff an example of its actual communication with the Wood Heights customers regarding its acquisition and operations of the water system assets, and how customers may reach Missouri American, within ten (10) days after closing on the assets;
11. Require MAWC to obtain from the City, as best as possible prior to or at closing, all records and documents, including but not limited to all plant-in-service original cost documentation, along with depreciation reserve balances, documentation of contribution-in-aid-of construction transactions, and any capital recovery transactions;
12. Except as required by §393.320, RSMo, make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the CCN to MAWC, including expenditures related to the certificated service area, in any later proceeding;
13. Require MAWC to distribute to the Wood Heights customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its water service, consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
14. Require MAWC to provide to the CXD Staff a sample of ten (10) billing statements from the first month's billing within thirty (30) days after closing on the assets;
15. Require MAWC to provide training to its call center personnel regarding rates and rules applicable to the Wood Heights customers;
16. Require MAWC to include the Wood Heights customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets; and
17. Require MAWC to file notice in this case outlining completion of the above-recommended training, customer communications, and notifications within ten (10) days after such communications and notifications.

ATTACHMENTS:

- A. Depreciation Rates

**MISSOURI AMERICAN WATER COMPANY – Water**  
**Schedule of Depreciation Rates**  
**WR-2020-0344**

<b>USOA Account Number</b>	<b>Account Description</b>	<b>Remaining Life Depreciation Rate %</b>	<b>Average Service Life (Years)</b>	<b>Iowa Curves</b>	<b>% Net Salvage</b>
<b><u>Source of Supply</u></b>					
311.0	Structures & Improvements	1.97%	60	R4	-25%
312.0	Collecting & Impoundment Reservoirs	0.35%	85	R3	0%
313.0	Lake, River & Other Intakes	3.57%	70	S0.5	-10%
314.0	Wells & Springs	2.52%	55	R1.5	-5%
315.0	Infiltration Galleries and Tunnels	1.77%	60	R2.5	0%
316.0	Supply Mains	1.45%	80	R3	-25%
317.0	Miscellaneous Source of Supply – Other	4.97%	25	SQ	0%
<b><u>Pumping Plant</u></b>					
321.0	Structures & Improvements	3.95%	75	R2.5	-15%
322.0	Boiler Plant Equipment	3.05%	37	R3	-5%
323.0	Power Generation Equipment	3.05%	37	R3	-5%
324.0	Steam Pumping Equipment	1.89%	47	R1	-10%
325.0	Electric Pumping Equipment	1.89%	47	R1	-10%
326.0	Diesel Pumping Equipment	1.89%	47	R1	-10%
327.0	Hydraulic Pumping Equipment	1.89%	47	R1	-10%
328.0	Other Pumping Equipment	1.89%	47	R1	-10%
<b><u>Water Treatment Plant</u></b>					
331.0	Structures & Improvements	2.34%	80	R2.5	-15%
332.0	Water Treatment Equipment	2.18%	48	R1.5	-20%
333.0	Miscellaneous Water Treat, Other	3.33%	30	SQ	0%
<b><u>Transmission and Distribution</u></b>					
341.0	Structures & Improvements	1.49%	55	R2.5	-20%
341.1	Structures & Improve - Special Crossing	1.49%	55	R2.5	-20%
342.0	Distribution Reservoirs & Standpipes	1.70%	65	R2.5	-25%
343.0,1,2,3	Transmission & Distribution Mains	1.39%	90	R2.0	-30%
344.0	Fire Mains	1.56%	85	S1	-30%
345.0	Customer Services	2.92%	65	R2.0	-100%
346.0	Customer Meters	2.40%	42	R1.5	-10%
347.0	Customer Meter Pits & Installation	2.40%	42	R1.5	-10%
348.0	Fire Hydrants	1.85%	65	R1.5	-30%
349.0	Misc Trans & Dist – Other	2.96%	50	R3	0%
<b><u>General Plant</u></b>					
390.0	Structures & Improve - Shop & Garage	3.02%	55	R2.5	-20%
390.1	Structures & Improve - Office Buildings	2.09%	47	S0	-20%
390.3	Structures & Improve – Miscellaneous	3.72%	55	R2.0	-20%
390.9	Structures & Improve – Leasehold	2.75%	25	R4	0%
391.0	Office Furniture	3.49%	20	SQ	0%
391.1	Computer & Peripheral Equipment	19.06%	5	SQ	0%
391.2	Computer Hardware & Software	19.06%	5	SQ	0%
391.25	Computer Software	5.00%	20	SQ	0%
391.26	Personal Computer Software	10.00%	10	SQ	0%
391.3	Other Office Equipment	10.46%	15	SQ	0%
391.4	BTS Initial Investment	5.00%	20		0%
392.1	Transportation Equipment - Light trucks	5.57%	9	L1.5	15%
392.2	Transportation Equipment - Heavy trucks	0.00%	10	L1.5	15%
392.3	Transportation Equipment – Autos	0.00%	6	L1.5	15%
392.4	Transportation Equipment – Other	6.15%	15	S3	5%
393.0	Stores Equipment	3.88%	25	SQ	0%
394.0	Tools, Shop, Garage Equipment	3.73%	20	SQ	0%
395.0	Laboratory Equipment	3.90%	15	SQ	0%
396.0	Power Operated Equipment	3.79%	12	L1	20%
397.1	Communication Equip - Non Telephone	5.76%	15	SQ	0%
397.2	Communication Equip – Telephone	8.94%	10	SQ	0%
398.0	Miscellaneous Equip	6.48%	15	SQ	0%
399.0	Other Tangible Equipment	2.43%	20	SQ	0%

**MISSOURI AMERICAN WATER COMPANY – Sewer**  
**Schedule of Depreciation Rates**  
**WR-2020-0344**

<b>USOA Account Number</b>	<b>Account Description</b>	<b>Remaining Life Depreciation Rate %</b>	<b>Average Service Life (Years)</b>	<b>Iowa Curves</b>	<b>% Net Salvage</b>
<b><u>Collection Plant</u></b>					
351	Structures & Improvements	2.03%	50	R3	-5%
352.1	Collection Sewers (Force)	1.64%	60	R2.5	-10%
352.2	Collection Sewers (Gravity)	1.58%	70	R3	-20%
353	Services To Customers	2.87%	55	R2.0	-40%
354	Flow Measuring Devices	3.38%	25	S2.5	0%
356	Other Collection Equipment	3.15%	50		0%
357	Communication Equipment	6.67%	15	SQ	0%
<b><u>Pumping Plant</u></b>					
361	Structures & Improvements	2.17%	45	R3	0%
362	Receiving Wells	2.87%	30	L2.5	0%
363	Electric Pumping Equip, (Includes Generators)	4.31%	15	L1.5	-5%
364	Diesel Pumping Equipment	4.31%	15	L1.5	-5%
365	Other Pumping Equipment	4.31%	15	L1.5	-5%
<b><u>Treatment and Disposal Plant</u></b>					
371	Structures & Improvements	1.43%	60	R2.5	-5%
372	Treatment & Disposal Equipment (Includes pumps, blowers, generators)	3.97%	30	S0.5	-20%
373	Plant Sewers	1.60%	50	R2.5	0%
374	Outfall Sewer Lines	3.04%	35	L2.0	0%
<b><u>General Plant</u></b>					
390.0	Structures & Improve – General	3.11%	35	R2.5	-5%
390.9	Structures & Improve – Leasehold	5.00%	20	R4	0%
391.0	Office Furniture	5.00%	20	SQ	0%
391.1	Computer & Peripheral Equipment	20.00%	5	SQ	0%
391.2	Computer Hardware & Software	20.00%	5	SQ	0%
391.25	Computer Software	5.00%	20	SQ	0%
391.26	Personal Computer Software	10.00%	10	SQ	0%
391.3	Other Office Equipment	6.67%	15		0%
391.4	BTS Initial Investment	5.00%	20		0%
392.0	WW Transportation Equipment	3.45%	10	L2.5	5%
392.1	Transportation Equipment - Light trucks	3.45%	10	L2.5	5%
392.2	Transportation Equipment - Heavy trucks	3.45%	10	L2.5	5%
392.3	Transportation Equipment – Autos	3.45%	10	L2.5	5%
392.4	Transportation Equipment – Other	3.45%	10	L2.5	5%
393.0	Stores Equipment	4.00%	25	SQ	0%
394.0	Tools, Shop, Garage Equipment	5.00%	20	SQ	0%
395.0	Laboratory Equipment	6.67%	15	SQ	0%
396.0	Power Operated Equipment	7.71%	15	L2.5	0%
397.1	Communication Equip - Non Telephone	6.67%	15	SQ	0%
397.2	Communication Equip – Telephone	6.67%	15	SQ	0%
398.0	Miscellaneous Equip	6.43%	15	SQ	0%
399.0	Other Tangible Equipment	0.00%	30	R2.0	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, Acquire, Construct, )  
Operate, Control, Manage and Maintain )  
A Water System and Sewer System in )  
And around the City of Wood Heights, )  
Missouri )

Case No. WA-2023-0345

**AFFIDAVIT OF ANDREW HARRIS**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

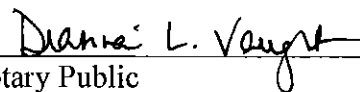
COMES NOW ANDREW HARRIS, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

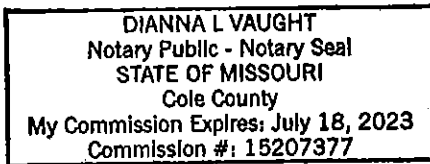
Further the Affiant sayeth not.

  
\_\_\_\_\_  
ANDREW HARRIS

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23<sup>rd</sup> day of May, 2023.

  
\_\_\_\_\_  
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 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 )

Case No. WA-2023-0345

**AFFIDAVIT OF ANTONIJA NIETO**

STATE OF MISSOURI     )  
  )  
  )     ss.  
COUNTY OF JACKSON    )

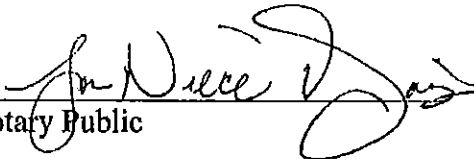
**COMES NOW ANTONIJA NIETO**, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

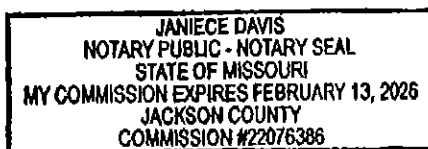
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ANTONIJA NIETO**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 23<sup>RD</sup> day of May, 2023.

  
\_\_\_\_\_  
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 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 )

Case No. WA-2023-0345

**AFFIDAVIT OF SARAH FONTAINE**

STATE OF MISSOURI     )  
                                  )  
COUNTY OF COLE     )     ss.

**COMES NOW SARAH FONTAINE**, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

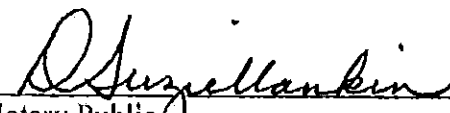
Further the Affiant sayeth not.

  
\_\_\_\_\_  
SARAH FONTAINE

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24<sup>th</sup> day of May, 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
\_\_\_\_\_  
Notary Public