

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 20th day of
July, 2017.

In the Matter of Missouri-American Water Company)
for Certificates of Convenience and Necessity)
Authorizing It to Install, Own, Acquire, Construct,)
Operate, Control, Manage and Maintain a Water and)
Sewer System in an Area of St. Louis County, Missouri) **File No. WA-2017-0278 et al.**

**ORDER GRANTING CERTIFICATES OF
CONVENIENCE AND NECESSITY AND GRANTING WAIVER**

Issue Date: July 20, 2017

Effective Date: August 19, 2017

On April 21, 2017, Missouri-American Water Company (“MAWC”) filed applications with the Missouri Public Service Commission (“Commission”) requesting that the Commission grant it Certificates of Convenience and Necessity (“CCN”) to install, own, acquire, construct, operate, control, manage and maintain a water and sewer system in St. Louis County, Missouri. The requested CCNs would allow MAWC to provide water and sewer service to an existing development known as the Pevely Farms subdivision, which currently has approximately 52 customers. In connection therewith, MAWC requests permission to purchase a water and sewer distribution system from the Pevely Farms Homeowner Association (“Association”).

The Commission issued notice and set a deadline for intervention requests, but no persons requested to intervene in this proceeding. On May 4, 2017, the Commission consolidated the water and sewer actions into File No. WA-2017-0278. On June 20, 2017, the Commission’s Staff filed its Recommendation and Memorandum to approve the transfer

of assets and the granting of the CCNs, subject to certain conditions. Staff advises the Commission to issue an order that:

1. Grants MAWC a CCN to provide water and sewer service in the proposed Pevely Farms service area, as requested;
2. Approves the application of MAWC's existing water rates and service charges that currently apply to its St. Louis Metro service area, as requested;
3. Approves the application of MAWC's existing sewer rates and service charges that currently apply to its Cedar Hill service area, except that Connection Charges and Capacity Charges included on the Schedule of Service Charges applicable to MAWC's Cedar Hill service area not apply to the Pevely Farms service area;
4. Requires MAWC to submit new tariff sheets, to become effective before closing on the assets, to include a service area map, service area written description, either new tariff sheets or revised tariff sheets with notations showing approved rates and service charges, to be included in its water tariff PSC MO No. 13, and sewer tariff PSC MO No. 26, and submit a revised sewer tariff sheet in PSC MO No. 26 to include Pevely Farms with Rule 13. B. 1.;
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, and rates and service charges applicable to the Pevely Farms service area in its water and sewer tariffs;
7. 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;
8. Requires MAWC to provide an example of its actual communication with the Pevely Farms service area customers regarding its acquisition and operations of the Pevely Farms water and sewer system assets, and how customers may reach MAWC, within ten (10) days after closing on the assets;
9. Requires MAWC to obtain from the Association, 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;
10. Requires MAWC to provide in its next general rate case an analysis documenting its proposed rate base values for Pevely Farms water and sewer system assets, including an appropriate offset for associated CIAC;
 11. Makes 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 Pevely Farms certificated service area, in any later proceeding;
 12. Requires MAWC to ensure adherence to Commission Rule 4 CSR-13 with respect to Pevely Farms customers;
 13. Requires MAWC to include the Pevely Farms customers in its established monthly reporting to the CMAU staff on customer service and billing issues;
 14. Requires MAWC to distribute to the Pevely Farms customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its sewer service, consistent with the requirements of Commission Rule 4 CSR 240-13.040 (2) (A-L), within ten (10) days of closing on the assets;
 15. Requires MAWC to provide adequate training for the correct application of rates and rules to all customer service representatives prior to Pevely Farms customers receiving their first bill from MAWC including water and sewer charges; and
 16. Requires MAWC to provide to the CMAU staff a sample of ten (10) billing statements from the first month's billing within thirty (30) days of such billing.

On June 27, 2017, MAWC filed its response, stating that it has no objection to the conditions in the Staff Recommendation. MAWC further responded to an inquiry by the Office of the Public Counsel by stating that it will not seek to recover an acquisition premium, if any exists, associated with this matter and will address the rate base treatment of the Pevely Farms systems in its currently pending rate cases, WR-2017-0285 and SR-2017-0286.

No other party has objected to the Staff recommendation within the time set by the Commission. Thus, the Commission will rule upon the unopposed application. No party has

requested an evidentiary hearing, and no law requires one.¹ Therefore, this action is not a contested case,² and the Commission need not separately state its findings of fact.

The Commission may grant a water and sewer corporation a certificate of convenience and necessity to operate after determining that the construction and operation are either “necessary or convenient for the public service.”³ The Commission articulated the specific criteria to be used when evaluating applications for utility CCNs in the case *In Re Intercon Gas, Inc.*, 30 Mo P.S.C. (N.S.) 554, 561 (1991). The *Intercon* case combined the standards used in several similar certificate cases, and set forth the following criteria: (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.⁴ The Commission finds that MAWC possesses adequate technical, managerial, and financial capacity to operate the water and sewer systems it wishes to purchase from the Association. The Commission concludes that the factors for granting certificates of convenience and necessity to MAWC have been satisfied and that it is in the public interest for MAWC to provide water and sewer service to the customers currently being served by the Association. Consequently, based on the Commission’s independent and impartial review of the verified filings, the Commission will authorize the transfer of assets and grant MAWC the certificates of convenience and necessity to provide

¹ *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm’n*, 776 S.W.2d 494, 496 (Mo. App. 1989).

² Section 536.010(4), RSMo 2016.

³ Section 393.170.3, RSMo 2016.

⁴ The factors have also been referred to as the “Tartan Factors” or the “Tartan Energy Criteria.” See Report and Order, *In re Application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a Certificate of Convenience and Necessity*, Case No. GA-94-127, 3 Mo. P.S.C. 3d 173 (September 16, 1994), 1994 WL 762882, *3 (Mo. P.S.C.).

water and sewer service within the proposed service area, subject to the conditions described above.

The application also asked the Commission to waive the 60-day notice requirement under 4 CSR 240-4.020(2), if necessary. MAWC explains that such waiver may not be necessary since matters of this type rarely become contested cases. However, MAWC asserts that good cause exists in this case for granting such waiver because the application was filed as soon as possible due to the nature of this particular transaction. In addition, MAWC states that no purpose would be served to require it to wait sixty days before filing its application with the Commission. The Commission finds that good cause exists to waive the notice requirement, and a waiver of 4 CSR 240-4.020(2) will be granted.

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company's request for a waiver of the notice requirement under Commission Rule 4 CSR 240-4.020(2) is granted.
2. Missouri-American Water Company is granted the certificates of convenience and necessity to provide water and sewer service within the authorized service area as more particularly described in the application, subject to the conditions and requirements contained in Staff's Recommendation, including those conditions described in the body of this order.
3. Missouri-American Water Company is authorized to acquire the assets of the Pevely Farms Homeowner Association identified in the application.
4. Missouri-American Water Company is authorized to take such other actions as may be deemed necessary and appropriate to consummate the transactions proposed in the application.

5. This order shall become effective on August 19, 2017.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Bushmann, Senior Regulatory Law Judge

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 20th day of July 2017.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

July 20, 2017

File/Case No. WA-2017-0278

**Missouri Public Service
Commission**

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.