

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

In the Matter of the Application of The )  
Meadows Water Company, North )  
Suburban Public Utility Company and the )  
City of Willard, Missouri, for An Order )  
Authorizing the Sale, Transfer and )  
Assignment of Water and Sewer Assets to )  
the City of Willard and in Connection )  
Therewith Certain Other Related )  
Transactions. )

Case No. WO-2007-0424

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”) and for its *Staff Recommendation* respectfully states:

1. On May 1, 2007, The Meadows Water Company (“The Meadows”), North Suburban Public Utility Company (“North Suburban”), and the City of Willard, Missouri (collectively, the “Applicants”) filed a *Joint Application for Approval of Transfer of Assets* (“Application”) to obtain Commission authorization for the Meadows to sell both its water and sewer assets, and for North Suburban to sell related real estate, to the City of Willard.

2. North Suburban is the owner of The Meadows’ capital stock and tracts of real estate and buildings that are included with the transfer agreement. *See* Application at 2:4. North Suburban is not itself a regulated Missouri utility. *Id.* at 4.

3. On January 4, 2008, intervenor the City of Springfield filed its *Notice of Non-Opposition to Joint Application and Notice of Intent to Not Request Evidentiary Hearing*.

4. On January 15, 2008, the Commission issued an *Order Directing Filing* where the Staff was ordered to file its recommendation by January 30, 2008.

5. Commission statute §393.190 RSMo., and rules 4 CSR 240-3.310, 3.605, and 2.060 establish the filing requirements for water and sewer utility applications for authority to sell, assign, lease or transfer assets.

6. The Meadows is a water and sewer corporation pursuant to § 386.020 RSMo. 2000, a public utility, and subject to Commission jurisdiction. *See* Application at 2:3. Currently, The Meadows has Certificates of Convenience and Necessity (“Certificates”), and thereby tariffs, for water and sewer service to approximately 1129 water and 280 sewer customers within its certificated area. *Id.*

7. In the attached Memorandum, which is labeled Appendix A, the Staff notes that the reasons for the proposed sale of the assets are not detrimental to the public interest and, therefore, recommends Commission grant The Meadows the authority to sell and transfer its assets from The Meadows to the City of Willard and grant The Meadows authority to cease providing service pursuant to these terms.

8. Staff notes that the City of Willard is a political subdivision of the state of Missouri.<sup>1</sup> Therefore, Willard would not be subject to Commission regulation for the setting of municipal utility rates, pursuant to § 250.190, § 386.250(3), and §393.190 RSMo. 2000 (See also *In the Matter of Springfield City Utilities’ Surcharges on Nonresidents of Springfield, Missouri*, PSC Case No. AC-2003-0526 (February 10, 2004)). Consequently, Staff recommends that the Commission make no ratemaking determination regarding any potential future regulatory oversight, if any.<sup>2</sup>

9. Staff recommends the Commission require the parties to submit notice to the Commission regarding evidence of the transfer of assets to Willard within three (3) business days

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<sup>1</sup> See *Joint Application for Approval of Transfer of Assets Id.* at 2:6, and 4:11.

<sup>2</sup> Staff notes that Willard’s corporate municipal boundaries do not encompass all of The Meadows’ certificated service area, therefore, The Meadows’ nonresident water and sewer customers will be served by the city of Willard.

after the transfer takes place. Then, if the Commission grants this transfer of assets, and once the transfer to Willard is finally completed and notice received, Staff recommends the Commission cancel the Certificates held by The Meadows, and cancel water and sewer tariffs on file for The Meadows.

**WHEREFORE**, the Staff respectfully recommends the Commission grant The Meadows the authority to sell and transfer its assets from The Meadows to the City of Willard and grant The Meadows authority to cease providing service pursuant to these terms; the Commission make no ratemaking determination regarding any potential future regulatory oversight, if any; the Commission require the parties submit notice to the Commission regarding evidence of the transfer of assets to Willard within three (3) business days after the transfer takes place; then, once the transfer to Willard is finally completed and notice received, Staff recommends the Commission cancel the Certificates held by The Meadows, and cancel the water and sewer tariffs on file for The Meadows.

Respectfully submitted,

/s/ **Shelley Syler Brueggemann**

Shelley Syler Brueggemann

Senior Counsel

Missouri Bar No. 52173

Attorney for the Staff of the

Missouri Public Service Commission

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 16<sup>th</sup> day of January 2008.

/s/ Shelley Syler Brueggemann

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. WO-2007-0424  
The Meadows Water Company

FROM: James Merciel – Water and Sewer Department

<u>/s/ Natelle Dietrich</u>	<u>1/16/08</u>
Director – Utility Operations Division	Date

<u>/s/ Shelley Syler Brueggemann</u>	<u>1/16/08</u>
General Counsel's Office	Date

SUBJECT: Staff's Recommendation for Approval of Transfer of Assets and Cancellation of  
Certificates of Convenience and Necessity

DATE: January 16, 2008

### **BACKGROUND**

On May 1, 2007 (unless noted otherwise, all dates herein refer to the year 2007), The Meadows Water Company (“Meadows” or “the Company”), North Suburban Public Utility Company and the City of Willard, Missouri (“Willard” or “the City”) filed a Joint Application for Approval of Transfer of Assets with the Public Service Commission (“Commission”), seeking to sell and transfer the water and sewer utility assets owned and operated by Meadows to Willard; then, after the transfer is accomplished, to cancel Meadows’ Certificates of Convenience and Necessity (Certificates) and its current tariffs to provide water and sewer service, thereby relieving it of its obligation to provide water and sewer service in its service areas.

On May 3 the Commission issued its **Order Directing Notice**, in which it ordered notice to be sent to state and local officials and the news media, and set May 23 as the date by which others should file an application to intervene and by which parties should request a hearing in this matter.

On May 23, the City of Springfield, MO (“Springfield”) filed an Application to Intervene in this case, expressing that Springfield has a special interest, from a water and sewer utility standpoint, with respect to certain properties and areas that are within Meadows’ service area. After a series of filings from the parties with regard to this intervention, the Commission issued its **Order Granting Intervention** on July 3.

The Commission held a prehearing conference on July 31. After the prehearing conference, the Commission issued its **Order Adopting Jointly Proposed Procedural Schedule** on August 7, so that two of the involved parties, Willard and Springfield, could take some time to continue with informal negotiations.

On January 4, Springfield filed its Notice of Non-Opposition to Joint Application and Notice of Intent to Not Request Evidentiary Hearing, stating that the issues and concerns causing Springfield to intervene in this case are resolved, and that all parties wish for the Staff to submit a memorandum to the Commission recommending approval as an uncontested case.

### **DESCRIPTION OF THE SERVICE AREA, AND THE INVOLVED PARTIES**

The Commission has exercised regulatory authority over the subject water and sewer systems since September 22, 1972, when it issued a Certificate to Park Crest Water Company to provide water service in Case No. 17,451, and a Certificate to provide sewer service in Case No. 17,453. Park Crest Water Company changed its name to Villa Park Heights Water Company, and notified the Commission of such by a letter received on February 9, 1973, which was placed in the 17,453 case file. Villa Park Heights Water Company then changed its name to The Meadows Water Company, and notified the Commission of such by Case No. WO-87-100 in 1987. The Company's water service area, and somewhat smaller sewer service area, are located northwest of Springfield and south of Willard, in Greene County. The Company provides service to approximately 1,129 water customers and 280 sewer customers.

The City of Willard owns and operates its municipal water and sewer systems, and has approximately 1,800 customers. As a municipality, the City is not subject to regulation by the Commission. Willard's water system was formerly owned and operated by a regulated water utility, Willard Water Company, which sold its water utility assets to the City after approval in Case No. WM-90-83, effective March 6, 1990. For its existing sewer system, Willard pumps sewage to Springfield for wholesale sewage treatment.

Willard's residential water rates are \$12.00 for the first 1,000 gallons per month, then \$2.00 per 1,000 gallons thereafter. By comparison, Meadows' current rates for a 5/8" residential-size meter are \$11.34 for the first 2,000 gallons per month, then \$2.10 per 1,000 gallons thereafter. A customer using 6,000 gallons per month would experience an increase from \$19.74 to \$22.00, or \$2.26 per month.

Willard's residential sewer rate, calculated annually for each individual customer, is \$13.93 minimum, plus \$3.33 per 1,000 gallons average monthly water usage for the months of January, February and March. The Meadows' residential sewer flat rate is \$15.04 per month. A customer with 4,000 gallons per month usage during January, February and March would experience an increase of from \$15.04 to \$27.25, or \$12.21 per month.

Willard's utility rates are applicable to all of its customers, whether inside or outside the city limits. It should also be noted that the Meadows' rates have been in effect since 1996.

### **ADDITIONAL MATTERS**

The Company has no delinquencies with regard to filing its annual reports and paying annual assessments. This is based on a review of the Commission's Administration Division's annual assessments records covering fiscal year 2000 through the second quarter of fiscal year 2008. The annual report information includes a review of the Commission's Adjudication Division's Data Center records on annual report filings for calendar years 1997 to 2001, and a review of the Commission's Electronic Filing and Information System (EFIS) annual report records covering calendar years 2002 through 2006.

The Company does not have any compliance-related issues involving the Missouri Department of Natural Resources, although for a number of years it has been restricted with regard to sewage treatment expansion, for two reasons. First, its treatment facility is a lagoon, and the Missouri Department of Natural Resources (DNR) will not allow an expansion of this facility because of sinkholes in the area, and the risk of collapse, though, technically, a treatment plant to replace the entire existing facility could be possible. The service area is also in proximity to Springfield. Meadows' sewer system has no interconnect with Willard, Springfield, or any other sewer utility. Springfield, which provides regional sewage treatment to other sewer utilities in the general area including Willard, holds itself out to provide wholesale service only to public-owned sewer utilities, meaning municipalities and sewer districts. So Meadows, as a private corporation, is not in a position to obtain wholesale sewage treatment from Springfield. Willard, as a municipality, is in such a position to undertake expansion projects as made necessary by future development, though Willard has no firm plan for expansion or connection of the Meadows system at this time. A Staff engineer from DNR's Southwest Regional Office in Springfield stated that Willard has competent utility operations, has been cooperative with DNR in dealing with past operational issues and appears to be capable of planning for new development.

The Company is presently in good standing with the Missouri Secretary of State, according to information on that agency's web page.

### **STAFF'S RECOMMENDATIONS**

The Staff, based on its review as herein described, believes that the proposed sale and transfer of assets is not detrimental to the public interest, and therefore recommends approval.

After approval of this transfer of assets is granted by the Commission, and then after the transfer to Willard is finally completed, Staff further recommends the Commission cancel the Certificates and tariffs held by Meadows.

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

1. Grants Meadows the authority to transfer its water and sewer utility assets and cease providing service, as requested;
2. Makes no ratemaking determination regarding any potential future regulatory oversight, if any;
3. Requires the parties to submit notice to the Commission regarding evidence of the transfer of assets to Willard within three (3) business days after the transfer takes place; and,

Staff further recommends that after the above notice of transfer is received, the Certificates held by, and water and sewer tariffs on file for, Meadows, be canceled.

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

**AFFIDAVIT OF JAMES A. MERCIEL, JR.**

**STATE OF MISSOURI**

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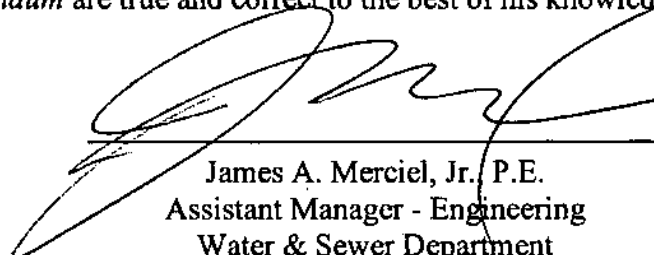
) ss

**Case No. WO-2007-0424**


**COUNTY OF CALLAWAY**

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James A. Merciel, Jr., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Memorandum*; (3) that he has knowledge of the matters set forth in the foregoing *Memorandum*; and (4) that the matters set forth in the foregoing *Memorandum* are true and correct to the best of his knowledge, information and belief.

  
James A. Merciel, Jr., P.E.  
Assistant Manager - Engineering  
Water & Sewer Department  
Utility Operations Division

Subscribed and sworn to before me this 15<sup>th</sup> day of January 2008.

  
Notary Public



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086