

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

In the Matter of the Joint Application of )  
Missouri-American Water Company and )  
Audrain Public Water Supply District )  
No. 1 for Approval of a Territorial )  
Agreement Concerning Territory in )  
Audrain County, Missouri )  
)

**File No. WO-2017-0191**

**STAFF RECOMMENDATION FOR JOINT APPLICATION  
FOR APPROVAL OF TERRITORIAL AGREEMENT**

**COMES NOW**, the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its recommendation states as follows:

1. Missouri-American Water Company (“MAWC”) and Audrain Public Water Supply District No. 1 (“District”), collectively “Applicants,” filed a joint application for approval of a Territorial Agreement concerning territory in Audrain County, Missouri (“*Joint Application*”), with the Missouri Public Service Commission (“Commission”) on January 10, 2017.

2. Staff has reviewed and investigated the *Joint Application* and is presently able to file its *Memorandum*, which is incorporated herein, and attached as Exhibit A.

3. MAWC is a public utility and water corporation subject to the jurisdiction of the Commission as specified, in part, by Chapters 386 and 393, RSMo.

4. The District is a public water supply district organized and existing under Chapter 247 RSMo and is therefore not subject to Commission regulation.

5. Section 247.172.5, RSMo. 2000, establishes the standard of “not detrimental to the public interest” for Commission review of territorial agreements.

6. MAWC currently serves the majority of all water customers within the city limits of Mexico, Missouri. This agreement will bring the few customers within Mexico city limits not currently served by MAWC into their territory, avoiding duplication of water utility services within the territory. All customers receiving a change of service due to the agreement have already been notified by MAWC.

7. Commission Regulation 4 CSR 240-3.625(1)(A) requires that as part of an application seeking Commission approval of a Territorial Agreement, the applicants must submit “a specific designation of the boundary, including a legal description.” MAWC has provided Staff a map demarcating the current city limits of the City of Mexico, but there is no corresponding legal description. Nevertheless, Staff understands that this territorial agreement is a necessary component of a resolution to a larger federal case. Therefore, because the territorial agreement is not detrimental to the public interest, Staff recommends the Commission approve the request, granting the applicants additional time to late-file a legal description.

8. In addition, Staff further recommends inclusion of a provision requiring that MAWC submit a First Revised Certificated Area Sheet No. CA9.1 in its water tariff P.S.C. MO No. 13, or alternatively a new Original Certificated Area Sheet No. CA 9.2, within ten (10) days after the effective date of an order from the Commission approving the territorial agreement, depicting the approved territorial agreement boundary.

**WHEREFORE**, Staff respectfully recommends to the Commission that it grant the joint application of MAWC and the District for approval of its Territorial Agreement, with the proposed conditions, and grant other such relief the Commission deems just and proper.

Respectfully submitted,

**/s/ Casi Aslin**

Casi Aslin

Legal Counsel

Missouri Bar No. 67934

Attorney for the Staff of the

Missouri Public Service Commission

P.O. Box 360

Jefferson City, MO 65102-0360

(573) 522-8417

[casi.aslin@psc.mo.gov](mailto:casi.aslin@psc.mo.gov)

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and or counsel of record on this 17<sup>th</sup> day of March, 2017.

**/s/ Casi Aslin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. WO-2017-0191  
Missouri-American Water Company - Audrain Public Water Supply District No. 1

FROM: James A. Merciel, Jr. – Water and Sewer Department  
Scott Glasgow – Consumer and Management Analysis Unit

|                                  |                       |
|----------------------------------|-----------------------|
| <u>/s/ James A. Merciel, Jr.</u> | <u>March 17, 2017</u> |
| Case Coordinator                 | Date                  |

|                         |                       |
|-------------------------|-----------------------|
| <u>/s/ Jacob Westen</u> | <u>March 17, 2017</u> |
| Staff Counsel           | Date                  |

SUBJECT: Staff's Recommendation to Approve Territorial Agreement

DATE: March 17, 2017

### CASE BACKGROUND

On January 11, 2017, Missouri-American Water Company (MAWC) and Audrain Public Water Supply District No. 1 (District) filed a *Joint Application for Approval of Territorial Agreement, and, if Necessary, Motion for Waiver* (Application) with the Public Service Commission (Commission). MAWC and the District seek approval of a territorial agreement. Approval of the territorial agreement would set an agreed-upon boundary line, which would be the city limits of Mexico, MO, along with conditions defining where each of these two water providers will provide service in the future.

On January 12, 2017, the Commission issued its *Notice of Application and Order Directing Filing*. In this Order, the Commission directed that notice be sent to the Audrain County Commission and the Mayor of the City of Mexico, that notice of the Order be made available to members of the Missouri General Assembly representing citizens in the affected area and to local media, and that MAWC send a copy of the Order to customers that would be affected by approval of the territorial agreement. In the Order the Commission also set February 10, 2017 as the date by which interested parties should seek to intervene in this case; and for the Staff to submit its recommendation by February 21, 2017. No parties have sought to intervene in this case.

### BACKGROUND OF MAWC, THE DISTRICT, AND THE AREA

MAWC is an existing regulated water and sewer utility currently providing water service to more than 450,000 customers, and sewer service to more than 11,000 customers, in several service areas throughout Missouri. MAWC's Mexico service district is one such service area. MAWC provides water service to its Mexico service district utilizing a series of six (6) wells and a lime-softening water treatment facility, along with distribution and storage facilities. MAWC provides water service to its customers in the City of Mexico and vicinity through 4,667 service connections, according to its 2015 annual report filed with the Commission. In addition to its retail customers, MAWC provides wholesale water service to the District, as well as to another public water supply district, both of whom re-sell to their own retail customers. The District provides water service to

more than 600 customers according to information on the website of the Missouri Department of Natural Resources (DNR). Its service area is generally to the east and to the south of the City of Mexico.

### **STAFF'S INVESTIGATION**

The territorial agreement effectively establishes the city limit boundary of the City of Mexico, as it existed on September 30, 2016, as the demarcation of where MAWC will provide service and where the District will provide service, with MAWC providing service within the city limits. Approval of the territorial agreement would result in the conversion of ten (10) specific customers of the District, who are inside city limits, to become customers of MAWC. Those customers, specified in the territorial agreement by street address, are commercial properties located in the southern portion of the City of Mexico along Business Route 54, also known as South Clark Street.

There is also a provision in the territorial agreement for an automatic change in the boundary line if and when the City of Mexico expands its city limits, so that the territorial agreement boundary would always be the same as the city limits; however such future change in the city limits and the territorial boundary would only apply to new customers who connect after such a change. If and when the city limits are changed, it would have no effect on any customers that exist at that time, because there is no requirement in the territorial agreement for any additional customers to be converted from District customers to MAWC customers, nor vice-versa.

### **Service Area and Tariff Matters**

MAWC's Application does not comply with a portion of one filing requirement, that being "...a specific designation of the boundary, including legal description ..." <sup>1</sup> as required by 4 CSR 240-3.625(1)(A). The territorial agreement simply states that MAWC would provide service to customers "...within the limits of the City, as defined as of September 30, 2016..." as described also above in this memorandum. MAWC states to Staff that there is no unified legal description nor a written description of any kind for the city limits as they existed on September 30, 2016, and therefore it is unable to comply with this requirement. MAWC did provide Staff with a blueprint-size map, obtained from the City of Mexico that shows parcels of property, and a shaded area representing the area that is inside the city limits. Included with this memorandum as Attachment A, incorporated herein by reference, is a photograph of this map with markings made by Staff effectively depicting the territorial agreement boundary. Also included in Attachment A is another photograph, it is of a portion of the map that shows the location of the customers that would be converted from being District customers to MAWC customers.

MAWC's pertinent service area is "City of Mexico, MO and Vicinity" as stated in its tariff P.S.C. MO No. 13 on Sheet No. CA9.1, as approved by the Commission and as posted in the Commission's EFIS system. This approved service area does not prohibit MAWC from providing service outside of the City of Mexico, but after approval of the territorial agreement, MAWC's service area will be limited by that portion of the city limits adjacent to or overlapping the District's service area. As

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<sup>1</sup> "Legal description" is defined as "[a] formal description of real property, including a description of any part subject to an easement or reservation, complete enough that a particular piece of land can be located and identified. The description can be made by reference to a government survey, metes and bounds, or lot numbers of recorded plat." Black's Law Dictionary, 903 (7th ed. 1999). "Government survey" is defined as "[a] survey made by a governmental entity of tracts of land (as of townships and sections and quarter-sections of land). Black's Law Dictionary 1459 (7th ed. 1999).

such, 4 CSR 240-3.625(1)(B) requires “An illustrative tariff which reflects any changes in a regulated utility’s operations or certification;” and Staff therefore recommends that MAWC should include a map similar to Attachment A on or following Sheet No. CA9.1.

**Customer Notice and Rate Impact on Converted Customers**

As noted above, the Commission, in its January 12, 2017 *Notice of Application and Order Directing Filing*, ordered MAWC to send a copy of the Order to the District customers who will be converted to MAWC customers. Along with sending the Order, MAWC and the District also prepared and sent the customers a letter stating that they will be converted if and when the territorial agreement is approved by the Commission. That notice stated that they would pay MAWC’s approved rates for water service.

These District customers to be converted to MAWC customers currently pay District monthly rates which are:

|      |         |   |
|------|---------|---|
|      | \$23.50 | minimum charge for 1,000 gallons per month<br>(this is effectively a \$16.50 customer charge) |
| plus | \$7.00  | per each additional 1,000 gallons (commodity charge)  |

After conversion, these customers will pay MAWC monthly rates which currently are:

Customer charge based on meter size<sup>2</sup>:

|              |   |
|--------------|---|
| 5/8” meter   | \$15.33                                       |
| 3/4” meter   | \$18.78                                       |
| 1” meter     | \$25.41                                       |
| 1-1/2” meter | \$42.03                                       |
| 2” meter     | \$61.98                                       |
| plus         | \$4.1398 per 1,000 gallons (commodity charge) |

Staff notes that as these are commercial customers, there is no such thing as typical water usage, and it is thus not practical to generalize rate impact. Rate impact upon any one customer largely depends upon water usage. The decrease in the commodity charge from the District’s \$7.00 per 1,000 gallons to MAWC’s \$4.1398 per 1,000 gallons likely would result in a decrease for most customers. However, those customers with meters greater than 1 inch could experience bill increases because of the customer charge rate structure; as an example the customer with a 2-inch meter would see an increase of \$38.48 per month for the customer charge portion of the bill. But further, it is just as likely that the customers with meters greater than 1- inch use a substantial amount of water, and if so the reduction of approximately \$2.86 per 1,000 gallons for the commodity charge portion of the bill could more than make up for the increase of the customer charge.

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<sup>2</sup> MAWC has approved rates applying to larger meter sizes than those listed here as well, up to 12 inch; however the customers affected by the territorial agreement do not utilize such larger meters.

### **OTHER ISSUES**

MAWC is a corporation that is in “good standing” status with the Missouri Secretary of State.

MAWC is current with annual report filings with the Commission through calendar year 2015, as documented on the Commission’s Electronic Filing and Information System (EFIS).

MAWC is current on its annual assessment quarterly payments through the third quarter of fiscal year 2017.

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

|              |   |
|--------------|---|
| WC-2017-0234 | Formal Complaint (Spicer)                         |
| WA-2017-0181 | Consolidated Certificate case for Wardsville area |
| WO-2017-0012 | Investigation case (matters from WR-2015-0301)    |
| WR-2015-0301 | Rate case (on appeal)                             |
| WO-2015-0211 | ISRS case (on appeal)                             |

These above-noted pending cases will have no impact upon this proposed territorial agreement; nor will approval of the territorial agreement impact the above-noted pending cases before the Commission.

### **STAFF’S RECOMMENDATIONS AND CONCLUSIONS**

Staff, based on its review as described herein, takes the position that the territorial agreement as proposed is not detrimental to the public interest, and therefore recommends approval with the conditions and actions as outlined herein.

While the Application does not include a legal description as required by 4 CSR 240-3.625(1)(A), Staff understands that this territorial agreement is a necessary component of a resolution to a larger federal case. Therefore, because the territorial agreement is not detrimental to the public interest, Staff recommends the Commission approve the request, and also grant the applicants additional time to late-file a legal description as required by the Commission’s regulations.

### **STAFF’S RECOMMENDATIONS**

Based upon the above, Staff recommends that the Commission:

1. Approve the territorial agreement, as agreed between MAWC and the District; and,
2. Require the MAWC to submit, within six (6) months from the issuance of a Report and Order approving the territorial agreement, a legal description of the corporate limits of the City of Mexico as they existed on September 30, 2016, pursuant to paragraph 5.(b) of the Joint Applicants’ Territorial Agreement;
3. Require MAWC to submit a First Revised Certificated Area Sheet No. CA9.1 in its water tariff P.S.C. MO No. 13, or alternatively a new Original Certificated Area Sheet No. CA 9.2, within ten (10) days after the effective date of an order from the Commission approving the territorial agreement, depicting the approved territorial agreement boundary.

Attachment: A – Map of City Limits, Territorial Agreement Boundary, and Customer Location

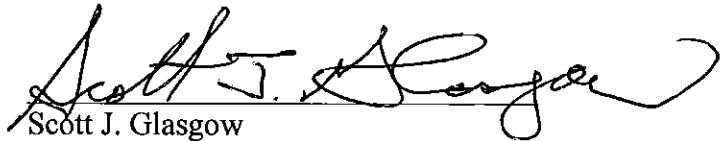
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Concerning Territory in Audrain County, Missouri )

AFFIDAVIT OF SCOTT J. GLASGOW

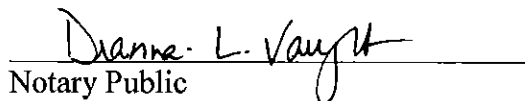
STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

Scott J. Glasgow, of lawful age, on his oath states: (1) that he is a Utility Management Analyst III in the Consumer and Management Analysis Unit of the of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing Staff Recommendation, in memorandum form; (3) that information in the Staff Recommendation was provided by him; (4) that he has knowledge of matters set forth in the Staff Recommendation; and (5) that such matters set forth in the Staff Recommendation are true and correct to the best of his knowledge, information and belief.

  
Scott J. Glasgow

Subscribed and sworn to before me this 15<sup>th</sup> day of March, 2017.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2019  
Commission Number: 15207377

  
Notary Public



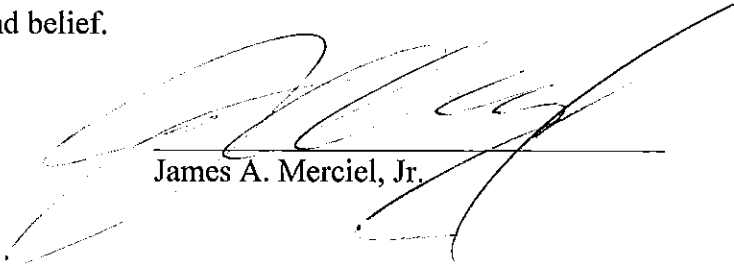
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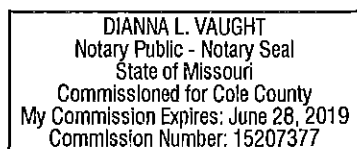
AFFIDAVIT OF JAMES A MERCIEL, JR.

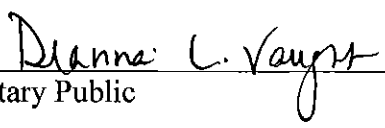
STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

James A. Merciel, Jr., of lawful age, on his oath states: (1) that he is a Utility Regulatory Engineering Supervisor in the Water and Sewer Department of the of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing Staff Recommendation, in memorandum form; (3) that information in the Staff Recommendation was provided by him; (4) that he has knowledge of matters set forth in the Staff Recommendation; and (5) that such matters set forth in the Staff Recommendation are true and correct to the best of his knowledge, information and belief.

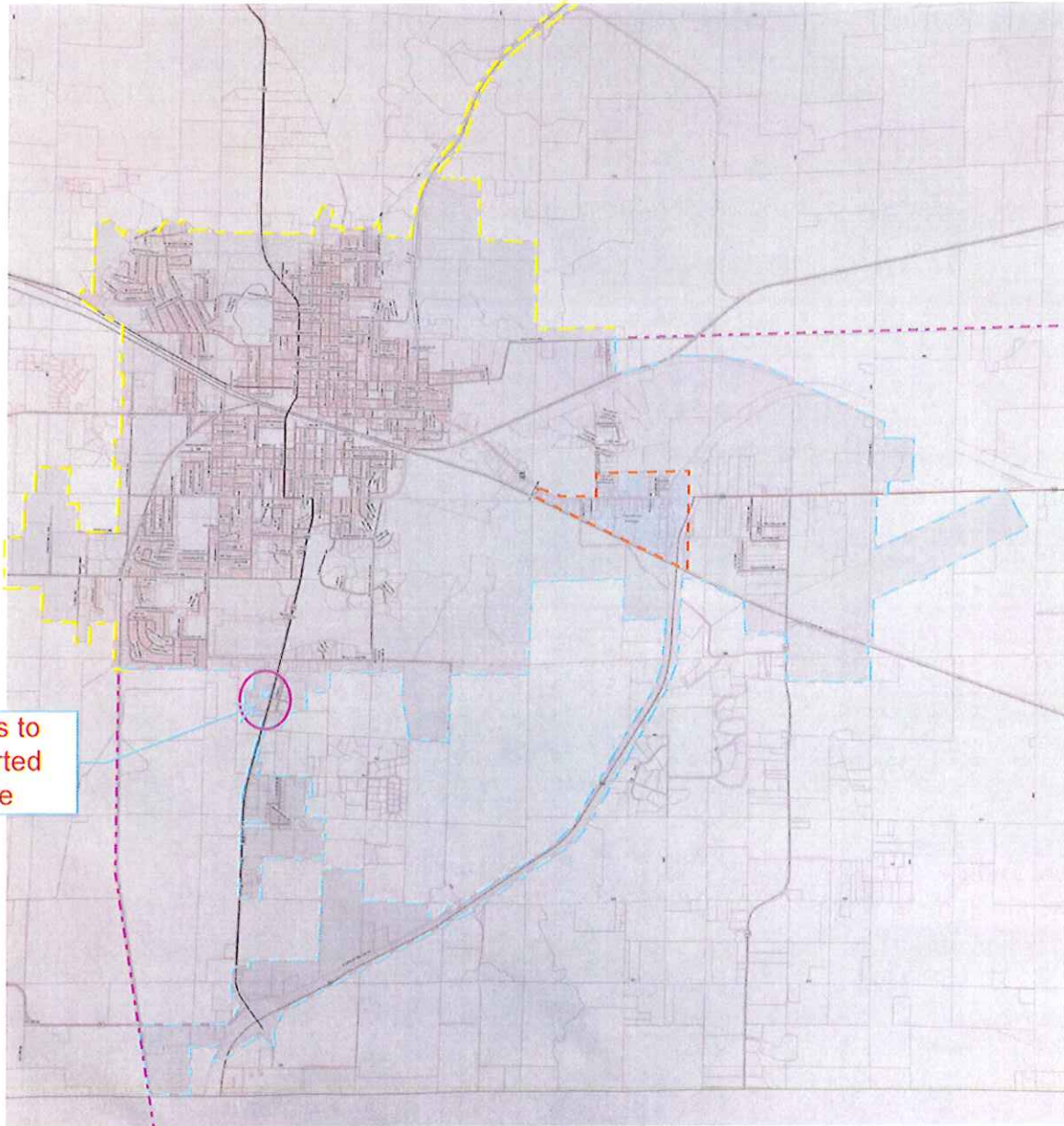
  
James A. Merciel, Jr.

Subscribed and sworn to before me this 17th day of March, 2017.



  
Notary Public

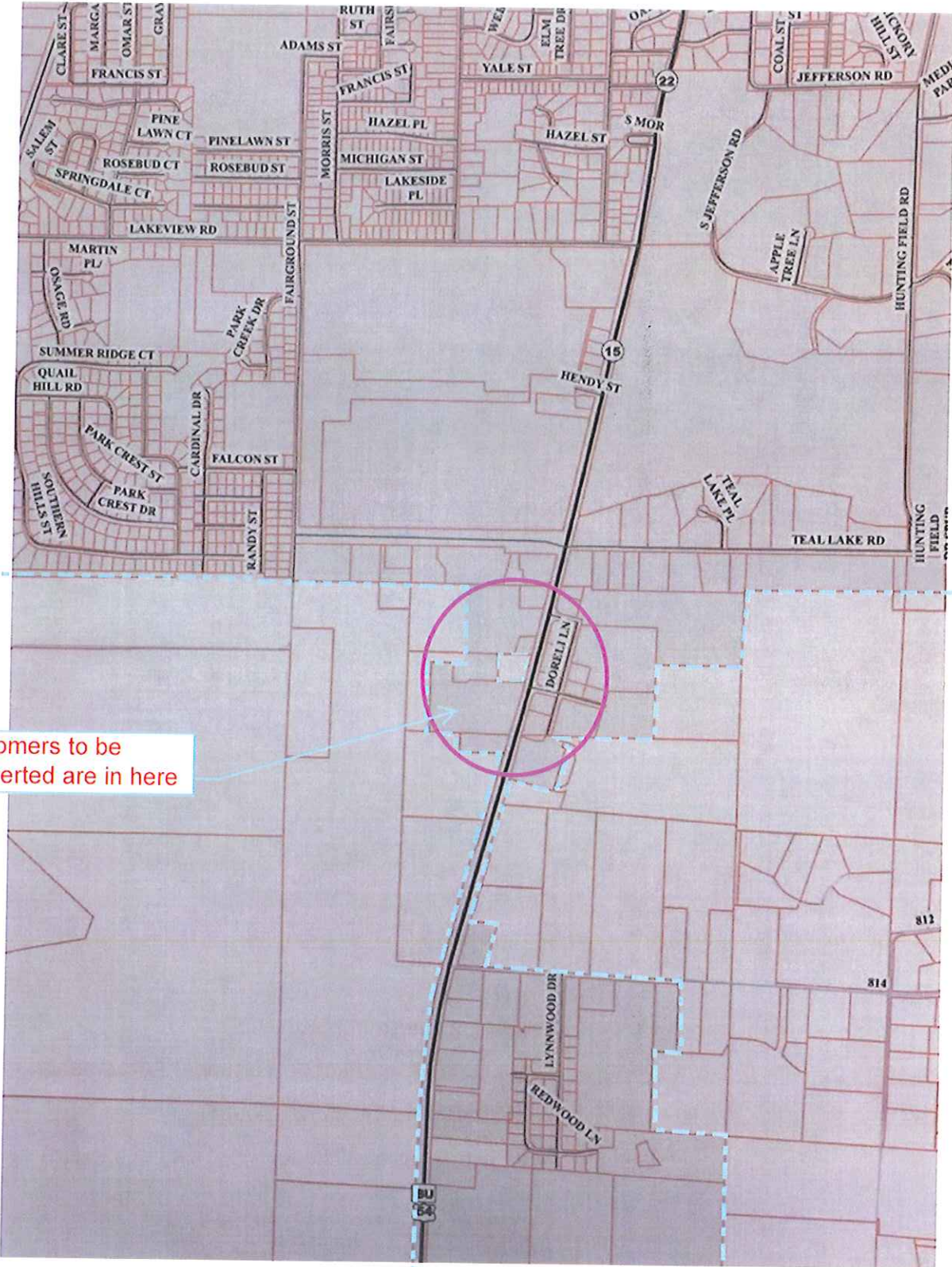
WO-2017-0191  
Territorial Agreement Boundary



customers to be converted are in here

- Water District Boundary
- City Limits - (no affect on Territorial Agreement)
- City Limits and Territorial Boundary
- Vandiver Village (excluded from City of Mexico)

WO-2017-0191  
Territorial Agreement Boundary



customers to be converted are in here