

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 13th day of December, 2007.

In the Matter of Missouri-American Water)	
Company's Application for a Certificate of)	
Convenience and Necessity Authorizing It to)	
Install, Own, Acquire, Construct, Operate,)	<u>Case No. WA-2008-0125</u>
Control, Manage, and Maintain a Water)	
System in Jefferson County, Missouri.)	

**ORDER GRANTING CERTIFICATE OF CONVENIENCE AND
NECESSITY**

Issue Date: December 13, 2007

Effective Date: December 23, 2007

On October 24, 2007, Missouri-American Water Company filed an application seeking a certificate of public convenience and necessity to install, own, acquire, construct, operate, control, manage, and maintain a water system for the public in an unincorporated area of Jefferson County, Missouri. Missouri-American proposes to purchase an existing water distribution system from a homeowners association and connect it to its water distribution system. Missouri-American asks the Commission to expedite its consideration of the application so that, if approved, the transaction can be completed by December 31, 2007.

On October 26, the Commission ordered that notice of the application be given to the public and interested parties. The Commission directed that any person interested in intervening file an application to intervene no later than November 15, 2007. The Commission did not receive any requests to intervene.

On December 4, the Commission's Staff filed a recommendation advising the Commission to approve Missouri-American's application with certain conditions. On December 6, Public Counsel filed a response to Staff's recommendation in which it states it has no objection to that recommendation. Missouri-American filed a response to Staff's recommendation on December 7. It also accepts Staff's recommendation, including the conditions that are part of that recommendation.

Missouri-American's application and Staff's recommendation explain that Missouri-American has signed an agreement with the Paradise Valley Residents Association to purchase a water distribution system that is currently used to serve the 175 homes in the Paradise Valley subdivision. The current water distribution system is deficient and does not comply with the requirements of the Missouri Department of Natural Resources. Once Missouri-American acquires the distribution system, it will construct a main and booster station to connect that system with Missouri-American's water supply and distribution system that already serves adjacent areas. Through this connection with Missouri-American's water system, the Paradise Valley subdivision will be served by a water system that complies with all DNR requirements.

After Missouri-American acquires the Paradise Valley system, the residents of that subdivision will pay a \$15.00 per month surcharge in addition to the existing quarterly rates established in Missouri-American's St. Louis County service area tariff. In addition, future customers connecting to the Paradise Valley system would pay a one-time distribution system extension charge of \$1,550. The surcharge and distribution system extension charge would be used to offset Missouri-American's costs to connect the Paradise Valley system to its existing system; to the extent those costs exceed \$400,000. After those costs

are collected, Missouri-American will cease collecting the surcharge and distribution system extension charge.

Staff investigated Missouri-American's application and concludes that the company's proposed acquisition of the Paradise Valley water system will promote the public interest because reliable central water service is desirable for this area, which has experienced water supply problems under its current water system. Staff recommends that the Commission grant Missouri-American the certificate of convenience and necessity it seeks, subject to certain conditions. Since Missouri-American accepts those conditions, the Commission will order Missouri-American to comply with them.

Based on the verified application submitted by Missouri-American, as well as the verified recommendation of its Staff, the Commission finds that granting Missouri-American's application for a certificate of convenience and necessity to serve the Paradise Valley subdivision will serve the public interest. That application will be granted.

The Commission reminds Missouri-American that failure to comply with its regulatory obligations may result in the assessment of penalties against it. These regulatory obligations include, but are not limited to, the following:

A) The obligation to file an annual report, as established by Section 393.140(6), RSMo 2000. Failure to comply with this obligation will make the utility liable to a penalty of \$100 and an additional \$100 per day that the violation continues. 4 CSR 240-3.640 requires water utilities to file their annual report on or before April 15 of each year.

B) The obligation to pay an annual assessment fee established by the Commission, as required by Section 386.370, RSMo 2000. Because assessments are facilitated by order of the Commission, failure to comply with the order will subject the company to

penalties ranging from \$100 to \$2000 for each day of noncompliance pursuant to Section 386.570, RSMo 2000.

C) The obligation to provide safe and adequate service at just and reasonable rates, pursuant to Section 393.130, RSMo (Supp. 2006).

D) The obligation to comply with all relevant state and federal laws and regulations, including but not limited to, rules of this Commission, the Department of Natural Resources, and the Environmental Protection Agency.

E) The obligation to comply with orders issued by the Commission. If the company fails to comply it is subject to penalties for noncompliance ranging from \$100 to \$2000 per day of noncompliance, pursuant to Section 386.570, RSMo 2000.

F) The obligation to keep the Commission informed of its current address and telephone number.

This certificate is granted conditioned upon the compliance of the company with all of these obligations.

Moreover, if the Commission finds, upon conducting a hearing, that the company fails to provide safe and adequate service, or has defaulted on any indebtedness, the Commission shall petition the circuit court for an order attaching the assets, and placing the company under the control of a receiver, as permitted by Section 393.145, RSMo Supp. 2006. As a condition of granting this certificate, the company hereby consents to the appointment of a temporary receiver until such time as the circuit court grants or denies the petition for receivership.

The company is also placed on notice that Section 386.310.1, RSMo 2000, provides that the Commission can, without first holding a hearing, issue an order in any case “in

which the commission determines that the failure to do so would result in the likelihood of imminent threat of serious harm to life or property.”

Furthermore, the company is reminded that, as a corporation, its officers may not represent the company before the Commission. Instead, the corporation must be represented by an attorney licensed to practice in Missouri.

IT IS ORDERED THAT:

1. Missouri-American Water Company’s Application for a Certificate of Convenience and Necessity to install, own, acquire, construct, operate, control, manage, and maintain a water system in Jefferson County, Missouri, is granted.

2. Missouri-American Water Company is granted a Certificate of Convenience and Necessity to install, own, acquire, construct, operate, control, manage, and maintain a system for the provision of water service, to serve an area in Jefferson County, Missouri, more particularly described in Appendix 2 to its Application.

3. This certificate is granted upon the conditions set out in the body of this order.

4. Missouri American Water Company shall comply with all Missouri statutes and Commission rules.

5. The customer surcharge and distribution system extension charge described in the Application are approved.

6. Missouri-American Water Company shall submit, in this case, new tariff sheets for its St. Louis County water tariff to include a map of the revised service area, a written description of the revised service area, and the surcharge and distribution system extension charge.

7. Missouri-American Water Company shall notify the Commission within three days after closing that it has closed on the assets.

8. Missouri-American Water Company shall capitalize, on its books and records, all costs incurred by it in connecting the Paradise Valley Residents Associations' system to the existing Missouri-American system. The treatment of the proposed \$15 monthly surcharge and the \$1,550 distribution system extension charge for new customers shall be booked as contributions in aid of construction. These charges shall be subject to review in future rate proceedings.

9. All customers on the Paradise Valley system that will become Missouri-American Water Company customers shall receive water service in the same manner, using current tariff rates, as all of Missouri-American Water Company's current customers in the St. Louis County District.

10. Missouri-American Water Company shall install new meters for all former Paradise Valley customers, and, if necessary, work with customers that need to modify plumbing so that a meter may be installed, in accordance with the purchase agreement. The costs associated with installing and replacing meters shall be recovered in accordance with the existing water tariffs that apply to all current St. Louis County District customers.

11. Missouri-American Water Company shall diligently work to ensure that each customer in the Paradise Valley area has an individual water service line, and that all existing shared water service lines shall either be eliminated to the extent practical, or dealt with under the provisions of the existing tariff.

12. Nothing in this order shall bind the Commission on any ratemaking issue in any future rate proceeding, including any future review of the surcharge and distribution system extension charge.

13, Missouri-American Water Company shall book contribution in aid of construction equal to the net amount of plant in service, less accumulated depreciation, acquired in the purchase of the Paradise Valley system assets.

14. This order shall become effective on December 23, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Colleen M. Dale".

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton, Appling,
and Jarrett, CC., concur

Woodruff, Deputy Chief Regulatory Law Judge