

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

In the Matter of the Joint Application of the )  
City of Ozark and Missouri-American )  
Water Company for Authority for Missouri- )  
American Water Company to sell and the ) **File No. WM-2025-0017**  
City of Ozark to Acquire the Spring Valley )  
Water System Assets located in Christian County )

**STAFF’S RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”) and makes the following recommendation on the Joint Application of the City of Ozark and Missouri-American Water Company for Authority for Missouri-American Water Company to sell and the City of Ozark to Acquire the Spring Valley Water System Assets located in Christian County.

1. On July 9, 2024, the City of Ozark (Ozark) and Missouri-American Water Company (MAWC) (together, “Joint Applicants”) filed a joint application (Application) that seeks authority to transfer ownership of assets known as the Spring Valley Water System from MAWC to Ozark. The Commission issued an Order Directing Notice and set a deadline for intervention requests. The Commission has ordered Staff to file a recommendation no later than October 8, 2024. No person has requested intervention.

2. Staff has conducted a full investigation of the application. Its investigation, findings and recommendations are described fully and in detail in its Memorandum filed with this Recommendation. The Commission has jurisdiction to rule on the application because Missouri law requires that “[n]o gas corporation, electrical corporation, water corporation or sewer corporation shall hereafter sell. . .its . . .works or system. . .without

having first secured from the commission an order authorizing it to do so.”<sup>1</sup>  
The Commission may deny the application only if approval would be detrimental to the public interest.<sup>2</sup>

3. As stated in Staff’s memorandum, its investigation revealed the following information. First, MAWC provided the following reasons for wishing to sell the Spring Valley distribution system:

1. The City of Ozark is already providing the drinking water for the system as MAWC is a wholesale customer of Ozark. It flows into Spring Valley through an interconnection with the city. There is no other water source that can be used to supply the distribution system.
2. Since MAWC does not actually supply the water for the Spring Valley distribution system, it has little control over the treatment of the water that is being supplied to the customers. MAWC does have a system in place to monitor different points of treatment, such as pH and chlorine residuals, but it lacks the ability to make any changes when necessary. This means that although MAWC is liable for the quality of the water that is flowing to the 120 accounts in Spring Valley, it has no way to control that quality, since treatment is administered by the City of Ozark.
3. There is no room for Spring Valley to expand, as it is surrounded by the City of Ozark. Thus, MAWC has no ability for system growth.

4. Second, the Spring Valley distribution system is operated by MAWC’s Branson operations, which is a considerable distance farther away than Ozark’s water operations. Third, based upon the representations of MAWC and Ozark, Staff concludes that the sale of the Spring Valley system will allow the companies to align their resources better and drive further economies in operational costs.

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<sup>1</sup> Section 393.190.1, RSMo.

<sup>2</sup> *State ex rel. City of St. Louis v. Public Service Comm’n of Missouri*, 73 S.W.2d 393, 400 (Mo. 1934).

5. Staff, accordingly, concludes that the proposed transfer is not detrimental to the public interest and recommends approval with the conditions outlined in Staff Memorandum.

**WHEREFORE**, Staff prays that the Commission will accept this pleading as compliant with the Commission's Orders.

Respectively Submitted,

/s/ Paul T. Graham

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Attorneys for the Staff of the  
Missouri Public Service Commission

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 8<sup>th</sup> day of October, 2024.

/s/ Paul T. Graham

## MEMORANDUM

**TO:** Missouri Public Service Commission Case File  
Case No. WM-2025-0017

**FROM:** Keith Foster – Auditing Department  
Dr. Seoung Joun Won, PhD. – Financial Analysis Department  
Adam Stamp – Water, Sewer & Steam Department  
Jarrod Robertson – Water, Sewer & Steam Department

*/s/ Jarrod Robertson /10/8/24*  
Case Manager / Date

**SUBJECT:** Staff's Recommendation to Approve Transfer of Assets, and Cancellation of Certificate of Convenience and Necessity

**DATE:** October 8, 2024

### **CASE BACKGROUND**

On July 9, 2024, Missouri-American Water Company (“MAWC”) filed a *Joint Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”), seeking authority from the Commission for MAWC to sell the water assets of the Spring Valley Water System to the City of Ozark (“Ozark”). MAWC also seeks to cancel its Certificate of Convenience and Necessity (“CCN”) after the transfer of assets is accomplished, thereby relieving it of its obligation to provide water service.

On July 9, 2024, the Commission issued its *Order Directing Notice, Setting Deadline for Intervention Requests, and Directing Staff Recommendations*, setting a deadline for intervention of July 24, 2024, and setting a deadline of August 9, 2024, for the Staff of the Commission (“Staff”) to either file a recommendation in this case or notify the Commission of when Staff intended to file its recommendation.

On August 7, 2024, Staff requested additional time to file its recommendation, and on August 8, 2024, the Commission issued an *Order Extending Time for Recommendation*, setting a deadline of October 8, 2024, for Staff to file its recommendation.

As of the date of this filing, no party has applied to intervene.

### **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 484,000 customers and sewer service to more than 24,000 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.

### **BACKGROUND OF THE SPRING VALLEY WATER SYSTEM**

In 2011, the Texas-based corporation known as Aqua Development, Inc., and Aqua/RU, Inc. d/b/a Aqua Missouri, Inc. (“Aqua”) requested that the Commission approve the sale of its Missouri water and sewer assets to MAWC. The corresponding case, Case No. WO-2011-0168 was approved and closed in May of 2011, therefore transferring the water and sewer assets and customers of Aqua to MAWC. Spring Valley, a small neighborhood, located partially within the limits of the City of Ozark, is one of the properties that MAWC acquired in the case. Since that time, MAWC has operated and maintained Spring Valley’s water infrastructure, which serves approximately 120 accounts.

### **STAFF’S INVESTIGATION**

Staff visited Spring Valley on Wednesday August 7, 2024. MAWC operators were also present to help Staff navigate the water system and answer any questions that Staff had regarding the sale. Staff asked MAWC why it wants to sell the Spring Valley distribution system, and MAWC provided three reasons:

1. The City of Ozark is already providing the drinking water for the system as MAWC is a wholesale customer of Ozark. It flows into Spring Valley through an interconnection with the city. There is no other water source that can be used to supply the distribution system.

2. Since MAWC does not actually supply the water for the Spring Valley distribution system, it has little control over the treatment of the water that is being supplied to the customers. MAWC does have a system in place to monitor different points of treatment, such as pH and chlorine residuals, but it lacks the ability to make any changes when necessary. This means that although MAWC is liable for the quality of the water that is flowing to the 120 accounts in Spring Valley, it has no way to control that quality, since treatment is administered by the City of Ozark.
3. There is no room for Spring Valley to expand, as it is surrounded by the City of Ozark. Thus, MAWC has no ability for system growth.

Staff would also like to note that the Spring Valley distribution system is operated by MAWC's Branson operations, which is a considerable distance farther away than Ozark's water operations.

Ozark is a fourth-class city located in Christian County, and has a population of approximately 22,500. Ozark has owned and operated water and sewer systems providing service to the public for over 100 years and currently serves approximately 10,110 water accounts and 9,000 sewer accounts. It can be assumed that Spring Valley would be acquired by Ozark and would continue to be operated and maintained in compliance with the Department of Natural Resources regulations related to water service. Ozark currently operates a complex storage and water distribution system and is a safe and reliable water source for its customers. Ozark appears to be fully qualified in all respects, to own and operate the Spring Valley water system. Therefore, the proposed transfer appears to be in the public interest.

### **Rate Impact**

Ozark proposes to utilize the following existing residential customer monthly rates for the Spring Valley water customers to be acquired:

- Within City Limits;
  - First 1,000 gallons = \$12.50 (minimum charge);
  - \$3.30 per 1,000 gallons thereafter;

- Outside City Limits;
  - First 1,000 gallons = \$18.75 (minimum charge);
  - \$4.95 per 1,000 gallons thereafter

Under MAWC water tariff P.C.S. MO No. 13, on a monthly basis, the Spring Valley residential water customers are paying:

- Minimum Customer Charge (Meter Size);
  - 5/8" = \$10.00;
  - 1" = \$18.42;
- Commodity Charge = \$8.3781 per 1,000 gallons

Under the current rate structure, customers on a 5/8" meter and using 5,000 gallons per month, would pay \$51.89. Customers on a 1" meter and using 5,000 gallons per month, would pay \$60.31.

Under the proposed rate structure, no matter the meter size, customers using 5,000 gallons per month and located within the city limits would pay \$25.70, while customer using 5,000 gallons per month and located outside the city limits would pay \$43.50.

### **FINANCIAL ANALYSIS**

The assets of Spring Valley to be sold by MAWC to Ozark were among those MAWC acquired from Aqua Missouri, Inc., Aqua Development, Inc., and Aqua/RU, Inc., doing business as Aqua Missouri, Inc., pursuant to approval granted by the Commission in Case No. WO-2011-0168.<sup>1</sup> Based on the approximate Net Book Value of the assets at the time of the agreement's execution, the negotiated purchase price was \$196,000.<sup>2</sup> Spring Valley is one of many operations included in the Company's 'Branson Metro – Water' profit center, and this proposed transaction involves approximately 120 customers and less than \$200,000 of net utility plant in service.<sup>3</sup> Therefore, the impact of the proposed transaction on MAWC's capital structure will be *de minimis*.<sup>4</sup> In addition, any impact on the other 484,000 water customers will be insignificant.<sup>5</sup>

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<sup>1</sup> Paragraph 10, The Application.

<sup>2</sup> Staff's Data Request No. 0003.

<sup>3</sup> Staff's Data Request No. 0001.

<sup>4</sup> Staff's Data Request No. 0002.

<sup>5</sup> Staff's Data Request No. 0004.

Given MAWC's financial capacity, the transaction does not materially change the Applicant's financial soundness. MAWC is a wholly owned subsidiary of American Water Works Company Inc. ("AWWC"). As of March 31, 2024, MAWC's total asset is approximately \$4 billion.<sup>6</sup> Over the next five years (2024-2028), S&P expects that AWWC's elevated capital spending will amount to approximately \$1 billion on utility investments, with an available credit facility of \$2.675 billion.<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 listed findings of fact, it is reasonable to conclude that MAWC's financial soundness will not be affected by the proposed transaction.

### **STAFF'S RECOMMENDATIONS AND CONCLUSIONS**

It is Staff's position that this sale and transfer of assets will be beneficial to the customers, as customers will receive continued utility services, at a reduced rate, and according to page 4 of the Application, "MAWC and Ozark believe that the sale of the Spring Valley system allows the companies to align their resources appropriately. As such, this acquisition should drive further economies in operational costs."

While Ozark is not subject to the jurisdiction of the Commission, Ozark is led by a City Council elected by the customers, who oversee and control the operations of Ozark, and preside over any customer issues.

Staff, based on its review as described herein, takes the position that the proposed sale and transfer of assets from the MAWC to Ozark is not detrimental to the public interest, and therefore recommends approval with the conditions as outlined herein. Staff also recommends that following the completed transfer of assets, the Commission cancel MAWC's CCN, and cancel the tariff currently in effect for MAWC to provide water service.

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<sup>6</sup> Staff's Data Request No. 0001.

<sup>7</sup> RatingsDirect, S&P Global Ratings. March 4, 2024.

<sup>8</sup> S&P Capital IQ Pro.



**STAFF'S RECOMMENDATIONS**

Based upon the above, Staff recommends that the Commission:

1. Approve the transfer of water utility assets controlled by the MAWC, as requested;
2. Require Ozark to notify the Commission of closing on the water assets with MAWC within five (5) days after such closing;
3. Authorize MAWC to cease providing service immediately after closing on the assets;
4. If closing on MAWC's assets does not take place within thirty (30) days following the effective date of the Commission's order, 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;
5. If MAWC determines that a transfer of the assets will not occur, require the MAWC to notify the Commission of such;
6. After the above notice of transfer of assets to Ozark is received from MAWC, cancel the CCN applying to MAWC and the current tariff on file for MAWC.

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located in Christian County )

Case No. WM-2025-0017

**AFFIDAVIT OF KEITH D. FOSTER**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

**COMES NOW KEITH D. FOSTER** 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.

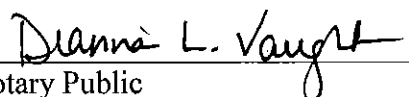
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**KEITH D. FOSTER**

**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 7<sup>th</sup> day of October 2024.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2027  
Commission Number: 15207377

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

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**AFFIDAVIT OF SEOUNG JOUN WON, PhD**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

**COMES NOW SEOUNG JOUN WON, PhD**, 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.

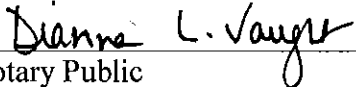
Further the Affiant sayeth not.

  
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SEOUNG JOUN WON, PhD

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**AFFIDAVIT OF ADAM STAMP**

STATE OF MISSOURI     )  
                                  )  
COUNTY OF COLE     )     ss.

**COMES NOW ADAM STAMP** 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.

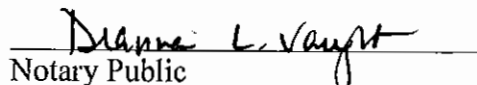
Further the Affiant sayeth not.

  
ADAM STAMP

**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 8<sup>th</sup> day of October 2024.

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**AFFIDAVIT OF JARROD J. ROBERTSON**

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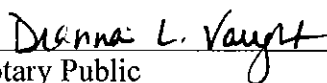
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Further the Affiant sayeth not.

  
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**JARROD J. ROBERTSON**

**JURAT**

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