

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

In the Matter of the Commission’s)	
Proposed Rule 20 CSR 4240-60.050)	
and Proposed Rescission of 20 CSR)	
4240-3.305 Relating to Filing)	File No. SX-2025-0116
Requirements for Sewer Utility)	
Applications for Certificates of)	
Convenience and Necessity)	

MAWC’S COMMENTS CONCERNING PROPOSED SEWER CCN RULE

Missouri-American Water Company (MAWC or Company) provides the following comments in response to the proposed Missouri Public Service Commission (Commission) Rule 20 CSR 4240-60.050 concerning Filing Requirements for Sewer Utility Applications for Certificates of Convenience and Necessity (CCN):

INTRODUCTION

On October 2, 2024, the Commission issued a Finding of Necessity and Order Directing Proposed Rule 20 CSR 4240-60.050 and Proposed Rescission of 20 CSR 4240-3.305 be Filed for Publication. The proposed rule was filed with the Secretary of State the same day. The proposed rule and rescission were published in the Missouri Register on November 15, 2024.

Among other things, the proposed rule will create a category of CCNs resulting from the acquisition of existing unregulated sewer service providers. That was not a category of CCN that the Commission historically dealt with on a regular basis and the existing water CCN rule has no special category to address such situations. Given the many such situations with which the Commission is now faced, MAWC agrees that, at a minimum, a new CCN rule that incorporates provisions targeted at this situation is a reasonable use of the Commission’s rulemaking authority.

RULE SUGGESTIONS

Based on its review of the proposed Commission Rule 20 CSR 4240-60.050, MAWC suggests that the changes reflected in redline on the attached Appendix A be adopted in any such rule that might be promulgated. In addition, MAWC provides certain comments in Appendix A where it believes an explanation may be helpful to the Commission.

The changes proposed by MAWC find their basis in MAWC's experience and participation in many prior CCN cases before the Commission, as well as matters where MAWC believes the Rule could be more clear or where revised language might facilitate the application and adjudication process.

MAWC respectfully requests that the Commission consider these comments.

Respectfully submitted,

//S// Brian LaGrand
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TITLE 20—DEPARTMENT OF COMMERCE AND INSURANCE

Division 4240—Public Service Commission

Chapter 60—Standards of Service by Sewer Utilities

PROPOSED RULE 20 CSR 4240-60.050 Filing Requirements for Sewer Utility Applications for Certificates of Convenience and Necessity

PURPOSE: This rule sets forth requirements for applications to the commission requesting that the commission grant a certificate of convenience and necessity. As noted in the rule, additional requirements pertaining to such applications are set forth in 20 CSR 4240-2.060(1).

- (1) The procedures and application requirements contained herein are in addition to the requirements of 20 CSR 4240- 2.060(1).
- (2) If the application is for a service area where service is currently provided by an existing sewer system, notice shall be provided to all potential customers within the designated service area within twenty (20) days after the filing of an application for a certificate of convenience and necessity, unless a public vote has been held.
 - (A) The notice shall include a description of the approval being sought, proposed initial rates, an explanation that the proposed rates are subject to change pending approval of the application, the rates charged to other current customers of the buyer, and contact information for the buyer.
 - (B) The notice shall also include instructions for submitting public comments to the commission, the commission case number, and how to track the progress of the case in the commission's electronic filing and information system (EFIS).
 - (C) An example of this customer notice shall be filed in the certificate of a convenience and necessity case by the purchasing applicant with any customer-specific information redacted.
- (3) An application for a certificate of convenience and necessity by a sewer company must include the following, if available, or be subject to dismissal if the required information is not submitted within any time period that may be ~~commission~~-established ~~time period~~by the commission:
 - (A) If the application is for a service area where service is currently provided by an existing sewer system, the application shall contain the following items:
 1. The legal description of the area to be certificated;
 2. A legible map of the proposed service area of appropriate scale that meets the following requirements:
 - A. Be created using professional mapping software, or be ~~B~~based on a color aerial or satellite photograph;
 - B. Includes a defined boundary of the entire service area encompassing all customers;
 - C. Shows nearby roads and highways with large and legible labels;
 - D. Includes a legend of map features;

Commented [BL1]: In MAWC's experience, many of the items listed in this section will not be retained by the seller, or may not even exist. The application should not be subject to dismissal because a document does not exist.

- E. Includes all collection, storage, and treatment features of the sewer system; and
- F. Excludes unnecessary surveying information and detail;
- 3. A description of the existing collection and treatment system, including—
 - A. Age or, if unknown, the estimated age and a general description of the type of treatment plant (such as “oxidation ditch, constructed in 2001”);
 - B. Age or, if unknown, the estimated age and material of the collection system and whether the system is gravity, pressure sewer with septic tanks, or a mixture of both;
 - C. Number of lift stations;
 - D. Design population equivalent that the treatment system is designed to serve according to the Missouri Department of Natural Resources (DNR), number of customers presently connected, and the projected number of customers within the next five (5) years; and
 - E. Any violations of DNR requirements within the last five (5) years;
- 4. A description of any proposed operation or capital improvements to the sewer system, including the reason for the improvements, estimated cost of capital improvements, and a proposed timeline for completion of the improvements that incorporates Missouri State Operating Permit (permit) requirements from DNR;
- 5. A description and copy of all notifications or meetings with existing customers prior to the filing of the application regarding the change in ownership—
 - A. If the purchase was subject to a vote of customers and that vote was approved by voters, provide a copy of all customer notifications, meeting handouts, presentations, and outreach efforts, including documentation that supported the sale of the system, and provide a copy of the ballot language the voters reviewed when voting for the approval to sell the system and the results of that vote; or
 - B. If the purchase was not subject to a vote of customers, provide a copy of all notifications sent to customers by seller or buyer, or if unable to provide a copy of a notification, provide a statement indicating the notification could not be produced and the reason it could not be provided;
- 6. An economic feasibility study with the proposed method for financing, proposed rates, service charges, and revenues and expenses during the first three (3) years of operation;
- 7. A rate base calculation following the commission approved Uniform System of Accounts (USOA) requirements with workpapers and supporting documentation for the assets to be acquired. All workpapers and supporting documents for the valuation of the sewer utility assets being acquired shall include, but not be limited to, the following:

Commented [BL2]: This is very broad - does this include services and manholes? Or just major items like a treatment plant and lift stations? The location of some of the features may not be fully known at the time an Application is filed.

Commented [BL3]: Changes here to match water certificate rules

Commented [BL4]: A rate base calculation is not required in the proposed water certificate rules. In many instances, a rate base calculation based on USOA accounts will be difficult, if not impossible, to develop because of the lack of existing records. Further, while some of the requested detail may become known after acquisition and operation of the systems, it will not be known at the time of application. This requirement could be an impediment to the completion of such acquisition applications.

- A. A list of all USOA accounts that are in use or expected to be in use based on the capital improvements identified in paragraph (3)(A)4.;
 - B. The existing plant in service balance by USOA account number for each plant item;
 - C. Copies of invoices for the original purchase, installation, and subsequent capital repairs and additions, if any;
 - D. The current depreciation reserve for each USOA account with supporting backup calculations showing how the amounts were derived and depreciation rates used; and
 - E. The amount of Contribution in Aid of Construction (CIAC);
8. A description of any other sewer service areas of commission-regulated companies or political subdivisions within one (1) mile of the proposed service area. If there are any customers within another service area currently being served by the system to be acquired, provide a list of the addresses of these customers;
 9. A description of the estimated cost the buyer will incur to incorporate the seller's sewer system customers into the buyer's company;
 10. ~~Provide information~~ and the estimated expected costs to operate the system, detailed cost, including copies of ~~source documents with invoices~~ any available support documentation, for each of the following:
 - A. Any contracts in effect necessary for the provision of service;
 - B. Estimated Public Service Commission assessments expense;
 - C. DNR fees and assessments expense;
 - D. Estimated corporate allocation/expense including a detailed explanation of how the allocations were calculated;
 - E. Chemical expense;
 - F. Electrical expense;
 - G. Postage expense;
 - H. Repair and maintenance expense;
 - I. Testing and sampling expense;
 - J. Mowing expense;
 - K. Office supplies expense;
 - L. Customer billing expense;
 - M. Outside services expense;
 - N. Income tax expense; and
 - O. Any other miscellaneous expenses; and
 11. Financial statements, general ledgers, invoices, and billing registers for the seller's water and/or sewer systems for the previous five (5) years;
- (B) If the application is for a service area where service is not currently provided by an existing sewer system, the application shall contain the following items:

1. A description of the circumstances (economic, environmental, etc.) driving the need for service in the requested area and the facts showing that the granting of the application is required by the public convenience and necessity;
2. If there are ten (10) or more residents or landowners, provide the name and address of at least ten (10) proposed service area residents or landowners, or the name and address of all residents and landowners if fewer than ten (10) in the proposed service area;
3. A description of any other sewer service areas of commission-regulated companies or political subdivisions within one (1) mile of the proposed service area;
4. A report bearing the seal of a professional engineer registered in the state of Missouri, including—
 - A. A physical description of the proposed collection and treatment system to be constructed;
 - B. The cost of the proposed treatment system and the cost of alternative treatment systems examined; and
 - C. A timeline for completion of construction, which incorporates permit requirements from DNR;
5. Projected financial details including—
 - A. The proposed method for financing construction and the resulting capital structure;
 - B. An economic feasibility study detailing expected revenues earned and expected expenses to be incurred during all phases of the project;
 - C. Projected rate base over all phases of the project;
 - D. Proposed rates charged to ratepayers over all phases of the project. If the phases of the project will continue past five (5) years, estimated rate charges for phases beyond five (5) years may be submitted; and
 - E. Projections on customer growth over all phases of the project including the number of existing households currently utilizing an unregulated form of sewer sanitation expected to become utility customers;
6. The legal description of the area to be certificated; and
7. A legible map of the proposed service area, meeting the following requirements:
 - A. Be created with professional mapping software, or be based on a color aerial or satellite photograph;
 - B. Includes a defined boundary of the entire service area, which encompasses all customers;
 - C. Shows nearby roads and highways with large and legible labels;
 - D. Includes a legend of the map features;
 - E. Includes all collection, storage, and treatment features of the sewer system within the service area; and

Commented [BL5]: See similar comments above

- F. Excludes unnecessary surveying information and details; and
- (C) If the application is for a new structure, such as construction of a new pipeline to convey sewage to a treatment facility that will not involve additional customers, the application shall contain the following items:
1. The legal description of the area to be certificated;
 2. A legible map of the proposed service area, meeting the following requirements:
 - A. Be created with professional mapping software, or Be based on a color aerial or satellite photograph;
 - B. Include defined boundaries of the entire service area(s);
 - C. Show nearby roads and highways with large and legible labels;
 - D. Include a legend of map features;
 - E. Include all collection, storage, and treatment features of the sewer system within the service area; and
 - F. Exclude unnecessary surveying information and details; and
 3. A report bearing the seal of a professional engineer registered in the state of Missouri, including—
 - A. A detailed physical description of the feature to be constructed;
 - B. A description of why the new features are necessary;
 - C. The cost of the proposed feature and any alternative examined;
 - D. A timeline for completion of construction that incorporates permit requirements from DNR; and
- ~~E.4.~~ The projected impact upon the applicant's revenue requirements.
- (4) When no evidence of approval of the affected governmental bodies is necessary, a statement to that effect shall be submitted with the application.
- (5) When approval of the affected governmental bodies is required, evidence must be provided as follows:
- (A) When consent or franchise by a city or county is required, approval shall be shown by a certified copy of the document granting the consent or franchise, or an affidavit of the applicant that consent has been acquired; and
 - (B) A certified copy of the required approval of other governmental agencies.

Commented [BL6]: Unclear what is meant by "unnecessary" details

Commented [BL7]: See similar comments above

Commented [BL8]: See similar comments above

Commented [BL9]: A revenue requirement calculation would be provided by the Applicant, and not included in the professional engineer's report.

AUTHORITY: section 386.250, RSMo 2016. Original rule filed Oct. 2, 2024.

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.

PRIVATE COST: This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.

NOTICE TO SUBMIT COMMENTS AND NOTICE OF PUBLIC HEARING: Anyone may file comments in support of or in opposition to this proposed rule with the Missouri Public Service Commission, Nancy Dippell, Secretary of the Commission, PO Box 360, Jefferson City, MO 65102. To be considered, comments must be

received at the commission's offices on or before Dec. 15, 2024, and should include a reference to commission File No. SX-2025-0116. Comments may also be submitted via a filing using the commission's electronic filing and information system at <http://www.psc.mo.gov/efis.asp>. A public hearing regarding this proposed rule is scheduled for Dec. 18, 2024, at 1 p.m., in Room 139 of the James C. Kirkpatrick Building, 600 W. Main St., Jefferson City, MO. Interested persons may appear at this hearing to submit additional comments and/or testimony in support of or in opposition to this proposed rule, and may be asked to respond to commission questions. Any persons with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one (1) of the following numbers: Consumer Services Hotline 1 (800) 392-4211 or TDD Hotline 1 (800) 829-7541.