

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

In the Matter of the Application of	)	
Highway H Utilities, Inc. for Authority to Sell	)	
Certain Water and Wastewater System Assets to	)	
the City of Waynesville, Missouri, and Pulaski	)	Files No. SM-2018-0095
County Sewer District Number 1, and, in	)	
Connection Therewith, Certain Other Related	)	
Transactions.		

**RESPONSE OF HIGHWAY H UTILITIES  
TO OPC COMMENT ON TRANSFER OF ASSETS**

COMES NOW Highway H Utilities, Inc. (“Highway H” or the “Company”), and, for its response to the OPC Comment on Transfer of Assets filed on March 5, 2018 (“Comment”), states as follows to the Missouri Public Service Commission (“Commission”):

1.     On October 9, 2017, Highway H filed an Application and Request for Waiver with the Commission seeking permission for Highway H to transfer its water assets to the City of Waynesville (“City”) and its sewer assets to Pulaski County Sewer District Number 1 (“PCSD”). Two case numbers have been consolidated under File No. SM-2018-0095.
  
2.     On February 14, 2018, the Commission’s staff (“Staff”) filed its recommendation that the Commission approve the Application subject to several conditions.
  
3.     The Office of the Public Counsel (“OPC”) Comment addresses the rate/cost impacts that will occur at the time the water and sewer customers of the Company become customers of the purchasers. As OPC points out, they will see rate increases by being moved to the City and PCSD rates. However, it should be noted that these customers’ current rates are extremely low - \$9.55 per month for water service (based on 5,000 gallons of usage); and \$19.44 per month for sewer service (flat rate).

4. OPC's criticism of certain connection and other fees, however, misrepresents their impact. The PCSD will permit affected customers to pay them over an 18-month timeframe, thus substantially moderating the per bill impact. While one can argue that this still is not ideal from the customer's perspective, it certainly is not "crippling" as alleged by OPC.<sup>1</sup>

5. Moreover, the fact that the Company's customers will face rate increases and other fees to fund system improvements must be understood in proper context. First, the rates and fee policies applied by the City and the PCSD are rates and policies that already are in effect for any new customer being added to their respective systems, so the current Highway H customers are not being singled out or discriminated against. Secondly, *both the City and the PCSD will be required to make substantial needed capital improvements to upgrade collection and treatment systems for the Northern Heights and High Point subdivisions. (See Appendix A for a description of those improvements)* The purchasers can afford to move forward with these projects. Highway H, on the other hand, does not have the cash flow or financial wherewithal to make these needed investments under its current rate structure. Even if it did, they would necessitate the Commission ultimately approving a substantial rate increase to cover the costs and provide a return on the capital invested.

6. This is a scenario with which the Commission is all too familiar. Small, privately-held water and sewer companies provide special challenges in meeting increasingly stringent public health and environmental standards. In this case, it is proposed that the customers of Highway H will be served by governmental entities, with access to necessary capital, with some economy of scale, that are willing and able to take on these considerable challenges. In this case, a sale of the systems is the best outcome for the customers. The only

---

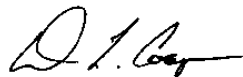
<sup>1</sup> Comment ¶10.

alternative offered by OPC is for the Commission to deny approval of the sale and to preside over the inevitable failure of both systems. The proposed transaction is not detrimental to the public interest and additional time should not be allowed to pass before the transaction and the necessary improvements to the systems are permitted to move forward.

7. In light of the foregoing, OPC's Comments do not provide any grounds the Commission to conclude the sale as proposed would be detrimental to the public interest. To the contrary, the circumstances show that the sale actually will benefit the customers of Highway H.

**WHEREFORE**, Highway H renews its request that the Commission approve the Application.

Respectfully submitted,



Paul A. Boudreau MBE #33155

Dean L. Cooper MBE #36592

**BRYDON, SWEARENGEN & ENGLAND P.C.**

312 E. Capitol Avenue

P.O. Box 456

Jefferson City, MO 65012

(573) 635-7166 telephone

(573) 635-3847 facsimile

[dcooper@brydonlaw.com](mailto:dcooper@brydonlaw.com)

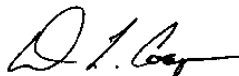
**ATTORNEYS FOR HIGHWAY H  
UTILITIES, INC.**

## CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on March 9, 2017, to the following:

Casi Aslin  
Office of the General Counsel  
[staffcounsel@psc.mo.gov](mailto:staffcounsel@psc.mo.gov)  
[casi.aslin@psc.mo.gov](mailto:casi.aslin@psc.mo.gov)

Curtis Schube  
Office of the Public Counsel  
[opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)  
[Curtis.Schube@ded.mo.gov](mailto:Curtis.Schube@ded.mo.gov)



---

## APPENDIX A

**City of Waynesville provided response to Staff DR 0002 (File No. WM-2018-0094), in regard to capital improvements to be completed:**

**Question 4.** Please state whether or not the City of Waynesville has any capital improvement plans for the water systems currently owned by Highway H Utilities, Inc. and if so, briefly describe the plans.

**Response:**

The City of Waynesville is currently looking at implementing the following improvements to the Northern Heights and High Point water systems upon purchase of the systems:

Northern Heights

Chlorination Room:	\$20,000
Water Tower	\$300,000
GIS Mapping of Water System	\$15,000
SCADA System Expansion	\$40,000
Installation of Auto Read Meters	<u>\$58,000</u>
	<b>\$433,000</b>

High Point

Chlorination	\$20,000
Connection to Water Main/Tower	\$135,000
GIS Mapping of Water System	\$10,000
Installation of Auto Read Meters	<u>\$15,000</u>
	<b>\$180,000</b>

**Pulaski County Sewer District response to Staff DR 0002 (File No. SM-2018-0095), in regard to capital improvements to be completed:**

4. Please state whether or not Pulaski County Sewer District No. 1 has any capital improvement plans for the sewer systems currently owned by Highway H Utilities, Inc., and if so briefly describe the plans.

**RESPONSE:**

**Northern Heights Subdivision Capital Improvements**

Due to the failing existing treatment plant within the NH subdivision, the District will need to commence many improvements immediately following the closing of the purchase transaction. Immediately following closing, the District will modify the existing plant so that it can be maintained to our standards to ensure the best treatment possible with the existing facility. During this same time, the District will begin to design a new collection system that the District intends to install within five years to replace the existing plant. When the new collection system is

completed, all of the sewerage flow from within the subdivision will then be sent to the District's new state of the art Weeks Hollow Wastewater Treatment Facility.

**High Point Estates Subdivision Capital Improvements**

Due to the aging of the existing treatment facility within the HP subdivision and because of constantly changing standards of effluent, the District will be upgrading the existing treatment facility within the subdivision shortly after the closing of the purchase transaction. We will use the existing system for some time while a new collection system is designed and constructed for the sewerage flow to be connected to our current infrastructure rather than completely upgrading the current facility.