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August 23, 2001

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Director, Utility Services
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Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

FILED

AUG 23 2001

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Missouri Public
Service Commission

RE: Case No. SA-99-589-In the Matter of the Application of Warren County Sewer Co., Inc. for a Certificate of Convenience and Necessity Authorizing It to Construct, Install, Own, Operate, Control, Manage and Maintain a Sewer System for the Public Located in an Unincorporated Area in Warren County, Missouri, Known as Oak Grove Subdivision.

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Nathan Williams
Associate Counsel
(573) 751-8702
(573) 751-9285 (Fax)
nwilliam@mail.state.mo.us

Enclosure
cc: Counsel of Record

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

FILED

AUG 23 2001

Missouri Public
Service Commission

In the Matter of the Application of Warren)
County Sewer Co., Inc. for a Certificate of)
Convenience and Necessity Authorizing It)
to Construct, Install, Own, Operate,)
Control, Manage and Maintain a Sewer)
System for the Public Located in an)
Unincorporated Area in Warren County,)
Missouri, Known as Oak Grove)
Subdivision.)

Case No. SA-99-589

STAFF RECOMMENDATION

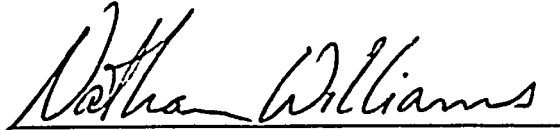
COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its recommendation states:

1. In its Order Granting Certificate of Convenience and Necessity effective November 16, 1999, the Commission directed review, after 18 months, of Warren County Sewer Company, Inc.'s authorized residential rate of \$22.11 per month.
2. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Missouri Public Service Commission take no further action in this case inasmuch as, after investigation, the Staff has determined that the Commission authorized residential rate of \$22.11 per month implemented by tariff sheets approved by the Commission is reasonable and appropriate for continued use.

WHEREFORE, the Staff recommends the Commission take no further action in this case.

Respectfully submitted,

DANA K. JOYCE
General Counsel

A handwritten signature in cursive script, reading "Nathan Williams", written in black ink on a white background.

Nathan Williams
Associate General Counsel
Missouri Bar No. 35512

Attorney for the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 23rd day of August, 2001.

A handwritten signature in cursive script, reading "Nathan Williams", written in black ink on a white background.

Service List For
Case No. SA-99-589
Verified: August 23, 2001 (cgo)

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Dean L. Cooper
Brydon, Swearngen & England
312 East Capitol Avenue
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MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SA-99-589; Warren County Sewer Company, Inc.

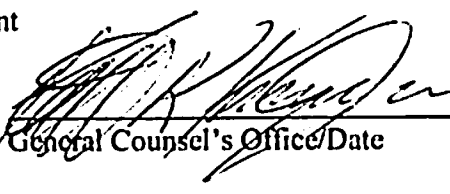
FROM: Wendell "Randy" Hubbs – Project Coordinator

James M. Russo – Accounting Department

Dana Eaves – Accounting Department



Project Coordinator/Date



General Counsel's Office/Date

NW
8/22/01

SUBJECT: Staff's Findings Regarding the Appropriateness of the Company's Rates

DATE: August 21, 2001

Background

On November 4, 1999, the Missouri Public Service Commission (Commission) issued its ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY in the subject case. By that Order, the Commission approved a Certificate of Convenience and Necessity for Warren County Sewer Company, Inc. for an unincorporated area of Warren County, Missouri.

In ordered section 2 of its Certificate Order the Commission stated:

2. That Warren County Sewer Co., Inc., is authorized to charge a monthly residential rate of \$22.11 per month per customer, to be reviewed after eighteen months.

Staff's Investigation

Pursuant to the above-referenced Order, the Commission's Staff conducted a review of the earnings and rates the Commission established for Warren County Sewer Company, Inc. in the above certificate case.

Staff members from the Accounting Department and the Water & Sewer Department participated in the review. Mr. Russo and Mr. Eaves from the Accounting Department supplied operational and financial information and their overall analyses to Mr. Hubbs of the Water & Sewer Department. Mr. Hubbs utilized that information to create the initial draft of this Memorandum and provided to Mr. Russo and Mr. Eaves, and to their direct up-line supervisors the opportunity to review this Memorandum. Comments received from those reviewers were incorporated into this final version of the Memorandum.

Staff's Findings & Conclusions

In its certificate case, Warren County Sewer Company, Inc. justified the feasibility of its certificate request and the reasonableness of its proposed rates. The Company's current rates, as developed in the certificate case, were based on the Company serving 33 customers. During its review, the Staff found that, as of July 16, 2001, the Company had 34 customers.

In reviewing the Company's books and records, the Accounting Department Staff noted that the Company was not collecting revenues due from all customers. Thirteen customers were over 90 days in arrears, in the average amount of \$256.91 per customer. The Company only collected 75% of its billed amounts in calendar years 1999 and 2000. The Accounting Department believes that the Company's failure to pursue collection of these delinquent accounts is putting an unnecessary financial strain on the Company. To assist the Company in collection of arrearages, the Staff has recommended the Company file for Commission approval of a series of miscellaneous tariff sheet provisions. These provisions include a late payment charge; a bad check charge; a tax collection provision and a discontinuance of service for nonpayment charge. The Staff also recommended that the Company enter into agreement with the customers' water supplier, whereby the water supplier will terminate service for nonpayment of a sewer bill. (\$393.015, RSMo). Unfortunately, the Company has informed the Staff that its district water supplier will not entertain any such agreement.

The Staff's Accounting Department has concluded that Warren County Sewer Company, Inc. experienced a revenue requirement shortfall in calendar year 1999 of approximately \$1,414, and a revenue excess in calendar year 2000 of approximately \$1,011; and estimates that the Company will incur a revenue requirement shortfall in calendar year 2001 of approximately \$254. Since an over-earnings situation does not exist, the Accounting Department finds that the current rate for sewer service is still appropriate. Based upon this, the Staff is of the opinion that the current rates are as reasonable today as they were when they first became effective, and that an over-earnings situation does not exist.

Staff's Findings

Based upon the Staff's determination that the Company's existing rates are reasonable and appropriate for continued use and that the Commission closed this case as of January 3, 2001 by its Order Approving Tariff and Closing Case; Staff is of the opinion that there is no need for further Commission action in this proceeding.