STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 28th day of December, 1994.

In the matter of the joint application of Vogel Sewer System, Inc. and West Elm Place Corporation for an order authorizing the merger of Vogel into West Elm, with West Elm being the surviving corporation, and for approval of related tariff changes.)	CASE NO. SM-95-144

ORDER APPROVING MERGER

On October 27, 1994, Vogel Sewer System, Inc. (Vogel) and West Elm Place Corporation (West Elm), (collectively referenced as Applicants), filed an application with the Commission seeking authority to consummate a merger agreement between the Applicants. Both Vogel and West Elm are sewer corporations providing service in Jefferson County, Missouri under the jurisdiction of the Commission. The sole shareholder of both Vogel and West Elm is Lois L. Smith. After the merger, West Elm intends to provide sewer service to all of Vogel's customers with no change in such service or in the rates presently in effect for Vogel. The Applicants have waived the standard ten day effective-date period and request that an order in this matter be effective on December 30, 1994.

As part of its sewer system, West Elm intends to construct a sewer that will be connected to the City of Arnold, Missouri where West Elm will obtain wholesale sewage treatment service by utilization of a large regional treatment facility. After this line is constructed, West Elm intends to connect sewers from the Vogel service area to its sewer system allowing retirement of two lagoons currently operated by Vogel. West Elm estimates that the construction, connection to the City of Arnold and the Vogel Sewers, and retirement of the lagoons will occur in 1995 and that the lagoon property will be drained and leveled in 1996.

On November 2, 1994, the Commission issued an Order and Notice directing that notice of the application be provided. The Commission stated that if no one filed an application to intervene or motion for hearing, the Applicants would be allowed to submit evidence in support of the application by verified statement. No application to intervene nor motion for hearing was filed.

On December 27, 1994, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission approve the proposed merger. Staff recommends that West Elm maintain separate expense records for operation of the Vogel system since it will be operating under separate rates. Also, Staff wants to be notified of the connection of Vogel's sewers to West Elm's system and the retirement of Vogel's lagoons and will review construction and plant records after the connection. Staff states the costs should be capitalized and recorded, and depreciation begun, at the time the project is completed.

Staff indicates there will be no impact on depreciation expense as Vogel's assets are nearly completely depreciated. Also, based on financial information filed by the Applicants, Staff believes there will be no significant impact on capital structure or other financial ratios. Staff states that after the merger West Elm will have 14.06 percent debt and 85.94 percent equity which Staff characterizes as a small change from West Elm's present debt to capital ratio and within Standard and Poor's "AA" bond rating classification. Staff also states that the insignificant changes to the pro forma merged capital structure of West Elm, and the fact that no material changes will occur in the overall operations and management of West Elm, should result in no material impact on the overall cost of capital for West Elm's operations.

Staff recommends that West Elm file an Adoption Notice adopting the entire tariff of Vogel to be effective on the date of the merger. West Elm could then file a tariff sheet modifying its existing tariff to include the Vogel service area and adding a rate sheet with rates identical to those in effect for Vogel's customers.

Upon review of the application and Staff's recommendation, the Commission finds that West Elm is currently providing sewer service in Missouri and it has the ability to effectively handle the operation of Vogel's sewer system. The Commission also finds that the proposed merger will have a minimal impact on West Elm's operations and that the resulting capital structure of West Elm is reasonable. The Commission further finds that the recommendations made by Staff are reasonably designed to protect the public interest. Thus, the Commission determines that the proposed merger is not detrimental to the public interest and should be approved.

IT IS THEREFORE ORDERED:

1. That Vogel Sewer System, Inc. and West Elm Place Corporation are hereby authorized to merge in accordance with the application and this Order.

2. That Vogel Sewer System, Inc. and West Elm Place Corporation are hereby authorized to take any and all other actions necessary to effectuate the merger authorized in Ordered Paragraph 1.

3. That West Elm Place Corporation shall file an Adoption Notice adopting the entire tariff of Vogel Sewer System, Inc. to be effective upon the consummation of the merger authorized in Ordered Paragraph 1.

4. That upon the filing of an Adoption Notice by West Elm Place Corporation as directed in Ordered Paragraph 3, the certificate of convenience and necessity currently held by Vogel Sewer System, Inc. shall be transferred to West Elm Place Corporation.

5. That within twenty (20) days of the effective date of this Order, West Elm Place Corporation shall file tariff sheets, to be effective thirty (30) days thereafter, modifying its existing tariff to include a map and legal description that encompasses the service area of Vogel Sewer System, Inc. and an additional rate sheet applicable to customers in the Vogel Sewer System, Inc. service area with rates identical to those presently in effect for Vogel Sewer System, Inc. customers.

6. That West Elm Place Corporation shall maintain separate expense records for operation of the Vogel Sewer System, Inc. system until such time as the Vogel Sewer System, Inc. lagoons are retired from service.

7. That the costs of retirement of the Vogel Sewer System, Inc. lagoons and connection of the Vogel Sewer System, Inc. sewers to the West Elm Place Corporation system shall be capitalized and recorded, and depreciation begun, at the time the project is completed.

8. That West Elm Place Corporation shall notify the Staff of the Commission of the retirement of the Vogel Sewer System, Inc. lagoons within sixty (60) days after connection of the Vogel Sewer System, Inc. sewers to the West Elm Place Corporation system.

9. That this Order shall become effective on December 30, 1994.

BY THE COMMISSION

David L. Rauch

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC., Concur.