

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 15th
day of December, 1998.

In the Matter of the Application of Schell)
Sanitation, Inc., ex rel., for Approval to) Case No. SM-98-559
Transfer its Franchise Workhorse System to)
the City of Springfield, Missouri.)

ORDER APPROVING SALE AND TRANSFER OF ASSETS

On June 15, 1998, Schell Sanitation, Inc. (Schell) filed an application with the Commission pursuant to Section 393.190, RSMo 1994, and Commission Rule 4 CSR 240-2.060(5), requesting the Commission: A) approve the sale and transfer of Schell assets, as described in Appendix 2 attached to the application, to the City of Springfield, Missouri (Springfield); B) authorize Schell to dissolve its corporation on the completion of the sale and transfer; C) authorize Schell to discontinue providing sanitary sewer services and treatment services in its certificated area as of the date of sale and transfer of its franchise, works and system to the City of Springfield, Missouri; and, D) grant such other relief deemed appropriate and proper to accomplish the purposes of the application.

Schell stated that it is a duly organized sanitary sewer corporation and public utility as defined in Section 386.020, RSMo, and has a Certificate of Convenience and Necessity from the Commission issued February 24, 1978, in Case No. SA-78-190. Schell is, therefore, subject

to the jurisdiction, supervision and control of the Commission over the transmission, collection and treatment of sanitary sewer waste in Schell's service area in Greene County, Missouri.

Schell stated that Springfield is a home rule charter city located in Greene County, Missouri, authorized by the statutes and the charter of the city to operate a sanitary sewer system. Springfield operates its sanitary sewer system under a permit from the Missouri Department of Natural Resources. Schell stated that Springfield provides a sewer collection system in the area served by Schell, which is now capable of collecting sewage waste from the area served by Schell and transmitting this waste to the treatment facilities operated by Springfield. Schell stated that its operating permit from the Missouri Department of Natural Resources is conditioned upon the requirement that Schell cease operating its treatment facilities when a publicly operated treatment system becomes available. Due to recent improvements in the sanitary sewer collections systems operated by Springfield, this publicly operated treatment system is now able to provide sewer treatment services to the customers whose property is located in the area served by Schell.

Schell stated that the proposed transfer will not harm the public interest even though some customers may experience a rate increase. Schell stated the proposed transfer will have minimal impact on the tax revenues of the political subdivisions in which Schell's facilities are located in that Greene County will only lose a total of \$139-\$140 in property taxes previously paid by Schell because Springfield will not be

required to pay any amount of taxes as a political subdivision.

On September 11, Schell filed its document entitled Late Filing of Exhibits by Applicant. Those late-filed exhibits included the following:

Exhibit AA - a letter from the applicant's attorney to the City of Springfield attorney confirming the extension of the closing date to January 1, 1999;

Exhibit BB, a copy of the letter notifying Schell's customers of the application for sale and transfer of assets; and

Exhibit CC, a letter from professional engineer Robert R. Schaefer, Assistant Director of Public Works, City of Springfield, Missouri, indicating that the Missouri Del Prado trunk sewer is completed and available for connection of sewers.

The Staff of the Commission (Staff) filed its memorandum on September 23, recommending approval of the sale and transfer of assets from Schell to Springfield. Staff stated that the Commission granted Schell's certificate to provide water and sewer service in Prairie View Heights Subdivision, Greene County, by order in Case No. SA-78-190 issued October 6, 1978, and effective October 17, 1978. Staff stated that Schell seeks to transfer its sewer assets to Springfield, which has an existing municipally owned sewer utility that is not subject to regulation by the Commission. Staff stated that a proposed contract was attached to the application, and that, in a filing made on September 11, 1998, Schell reported that the closing date had been extended to January 1, 1999.

In regard to the rate changes that Schell's customers may experience, Staff stated that Schell's current rate is a flat rate of

\$42.35 per quarter. Springfield's rate is based upon water use during winter months, and is \$7.78 per month plus \$0.85 per 100 cubic feet. The impact for any given customer would depend upon water use. Staff stated that the application indicated that the typical water use for Springfield water utility customers is 700 cubic feet per month. Customers with this amount of water use would experience a 2.8 percent rate decrease. Staff stated that it considers 800 cubic feet to be generally typical water use; therefore, the Staff believes that customers with this amount of water use would experience a 3.3 percent increase. A rate comparison based upon water use per cubic feet per month was attached to the Staff's memorandum.

Staff stated that there are several benefits to the public that will result from this sale. The existing small treatment facility, sized to serve the subdivision, will be eliminated in favor of a connection to Springfield's regional-size sewer system. Schell's sewer system, although outside the city limits, is within the area for which the Springfield's facility is able to provide service. Staff stated that this will be a benefit because Schell's existing treatment facility is at capacity, and there have been operational problems. Staff stated that if the Schell sanitation system were to remain in operation, it would likely need to be expanded and improved, or replaced, at considerable capital cost. In addition, Staff stated that this sale will result in sewer service being provided by a large, stable utility. Generally, Staff stated that Schell had been providing good service to its customers but that larger

utilities are able to provide good service on a long-term basis, and are better able to respond to emergency situations.

Staff stated that no interventions were filed by the deadline date ordered by the Commission, July 27, 1998. Further, Staff stated that it received no calls or letters expressing concern about this transfer. Staff stated that the sale and transfer as proposed is not detrimental to the public interest, and Staff recommends the Commission approve the sale and transfer of assets requested. Approval of the sale and transfer of assets from Schell to Springfield should include cancellation of Schell's certificate of public convenience and necessity and cancellation of Schell's current tariff effective January 1, 1999.

The Commission has reviewed the application of Schell and Staff's memorandum. The Commission finds that the sale and transfer of the assets described in the application would not be detrimental to the public interest. Section 393.140, RSMo (1994). The Commission finds that the application should be approved. The Commission also finds that Schell's certificate and accompanying tariffs should be canceled.

IT IS THEREFORE ORDERED:

1. That the application filed by Schell Sanitation, Inc. on June 15, 1998, is approved.

2. That Schell Sanitation, Inc. is authorized to sell and transfer the assets as agreed in the Agreement for Sale of Assets attached to its application, to the City of Springfield, Missouri.

3. That Schell Sanitation, Inc.'s certificate of public convenience and necessity shall be canceled on January 1, 1999.

4. That Schell Sanitation, Inc.'s tariffs shall be canceled on January 1, 1999.

5. That this order shall become effective on December 29, 1998.

6. That this case may be closed after January 2, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray
and Drainer, CC., concur.
Schemenauer, C., absent.

Register, Regulatory Law Judge

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COMMISSION ON PUBLIC UTILITIES
PUBLIC SERVICE COMMISSION