

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Aqua	)	
Missouri, Inc. and the City of Taos, Missouri,	)	
for Authority to Acquire Certain Assets of Aqua	)	<b><u>Case No. SO-2011-0331</u></b>
Missouri, Inc., and in Connection Therewith,	)	
Certain Other Related Transactions.	)	

**STAFF'S RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and files this *Recommendation* with the Missouri Public Service Commission (Commission), respectfully stating the following:

1. On April, 7, 2011, a *Joint Application of Aqua Missouri, Inc. and the City of Taos, Missouri, for Authority to Acquire Certain Assets of Aqua Missouri, Inc., and in Connection Therewith, Certain Other Related Transactions (Joint Application)* was filed with the Commission.

2. On May 20, 2011, Staff's request for more time until July 6, 2011 was granted by the Commission.

3. On May 31, 2011 the City of Taos filed a *Supplemental Response to First Set of Staff Data Requests and Request for Expedited Treatment* notifying the Commission that its bids expired on June 10, 2011.

4. Staff filed a *Response to Order* indicating that Staff had received responses to its data requests and believed it could prepare a recommendation by June 15, 2011, as opposed to the previously ordered extension until July 6, 2011.

5. On June 3, 2011, the Commission issued an *Order Granting Expedited Treatment In Part* that allowed Staff until June 15, 2011, to file its Recommendation. This filing responds to that Order.

6. Staff recommends that the Commission approve the *Joint Application*, as more fully described in Memorandum prepared by Jerry Scheible, P.E., Utility Regulatory Engineer for Staff's Water and Sewer Department, which is attached and incorporated by reference herein as Attachment A.

7. Staff asserts that this transfer is not detrimental to the public interest.

**WHEREFORE**, Staff respectfully submits this *Staff Recommendation* to the Commission for its information and consideration, and respectfully requests that the Commission approve the *Joint Application* as recommended in Attachment A of this pleading.

Respectfully submitted,

**/S/ RACHEL M. LEWIS**

Rachel M. Lewis

Deputy Counsel

Missouri Bar No. 56073

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 10<sup>th</sup> day of June, 2011.

**/S/ RACHEL M. LEWIS**

## MEMORANDUM

### **Case No. SO-2011-0331– Joint Application of Aqua Missouri, Inc. to Sell Certain Sewer System Assets to the City of Taos, Missouri**

TO: Missouri Public Service Commission Official Case File

FROM: Jerry Scheible, P.E., Utility Regulatory Engineer- Water & Sewer Department

/s/ Jerry Scheible  
Water and Sewer Department

June 10, 2011

/s/ Rachel Lewis  
Staff Counsel's Office

June 10, 2011

SUBJECT: Staff Recommendation Regarding the Joint Application of Aqua Missouri, Inc. and the City of Taos, Missouri, for Authority to Acquire Certain Assets of Aqua Missouri, Inc., in Cole County, Missouri.

DATE: June 10, 2011

#### **CASE FILING SUMMARY**

On April 7, 2011 (unless noted otherwise, all dates herein refer to the year 2011), Aqua Missouri, Inc. (Aqua) and the City of Taos, Missouri (Taos) filed a Joint Application with the Commission seeking authority for Taos to acquire certain assets of Aqua.

On April 8, the Commission issued its Notice of Application, Order Directing Filing and Order Directing Notice in which May 10 was set as an intervention deadline for interested parties. No applications to intervene have been submitted by any party. This order also set May 20 as the date by which the Staff is to file its *Recommendation* in this case.

On May 20, the Commission granted Staff's request for an extension of time to July 6 to file its *Recommendation*.

On May 31, Taos filed its City of Taos' Supplemental Response to First Set of Staff Data Requests to City and Request for Expedited Review. In an effort to accommodate Taos' request for expedited review, Staff files this memorandum on this date.

#### **BACKGROUND**

Aqua holds a Certificate of Convenience and Necessity (CCN) as issued by the Commission to provide sewer service in the affected area. The sewer service is currently provided via eight separate treatment facilities; lagoons and mechanical plants. Aqua provides service to approximately 215 residential customers in the affected area, mostly by stand-alone systems

serving individual subdivisions, and one private elementary school. The systems to be transferred are located in, and just outside of, the Taos city limits.

The facilities each operate under individual Missouri Department of Natural Resources (DNR) permits and do not currently have any compliance-related issues. Aqua is current with regard to filing its annual reports and paying annual assessments with the Commission.

Taos does not currently own or maintain any centralized sewer collection and treatment system. The residences of the town are either connected to one of Aqua's treatment facilities or have individual on-site treatment systems, many of which are not functioning properly. Taos' ultimate goal is to eliminate the individual on-site treatment systems and the separate outfalls of the Aqua facilities by constructing a single City owned collection and treatment facility. Potential customers of the proposed single treatment facility number greater than 400.

The Joint Application states that citizens of Taos, many of which are currently Aqua customers, voted in favor of a \$4 million bond issue to assist the City in acquiring the sewer systems. The annual local tax revenue impact, according to information provided in the Application, will be a reduction of approximately \$1,270 in property tax.

In addition, the city acquired grants totaling \$2.17 million through DNR to finance the construction of a centralized collection system and treatment facility.

### **TRANSFER OF OWNERSHIP DETAILS**

Taos intends to purchase all the assets of the sewer system serving the affected area from Aqua. The closing of the sale is to take place within thirty (30) days after the effective date of a Commission Order approving the sale.

Taos has retained the services of a properly licensed operator to take over the operations of the existing treatment facilities. Taos will become the continuing authority for the eight facilities, and will operate them according to the DNR permit requirements until such time as the plants are eliminated due to the construction of a centralized system.

Sewer service will continue without interruption to the current Aqua customers at the rate currently approved in Aqua's tariff; that being \$53.22 per month for residential customers. Taos intends to maintain that rate until the time the new sewer system is operational. At that time, rates will be calculated based upon the total number of customers on the system, and will be reviewed semi-annually by an elected Sewer Board.

As a municipal government entity, Taos has statutory authority to operate as a municipal sewer utility under Chapter 204 of the Revised Missouri Statutes, and as such will not be subject to regulation by the Public Service Commission if this Joint Application is approved.

## **STAFF'S CONCLUSIONS**

Staff, based upon its review, finds that the proposed sale and transfer of assets is not detrimental to the public interest, and therefore recommends approval.

## **STAFF'S RECOMMENDATIONS**

Based upon the above, Staff recommends that the Commission issue an order that:

- 1) Grants Aqua Missouri, Inc. the authority to sell, and the City of Taos to acquire, the sewer assets identified herein of Aqua Missouri, Inc, as requested in the Joint Application;
- 2) Requires Aqua Missouri, Inc. to submit notice to the Commission regarding evidence of the transfer of assets to the City of Taos within three (3) business days after the transfer;
- 3) After the above notice of transfer is received, cancels Aqua Missouri, Inc.'s Certificate of Convenience and Necessity and sewer tariff on file for the area being served by the sewer assets identified herein;
- 4) Requires Aqua Missouri, Inc., if closing on the assets has not occurred within thirty (30) days after the effective date of an order from the Commission approving this transfer of assets, to file a status report with the Commission thirty (30) days after the effective date of the order, and at the end of each subsequent thirty (30) day period until closing and the transfer of assets is complete; and, alternatively if the transfer will not be completed, requires Aqua Missouri, Inc. to file a pleading with the Commission stating such.

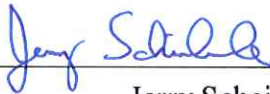
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF JERRY SCHEIBLE, P.E.**

STATE OF MISSOURI     )  
                                      ) SS                    **CASE NO. SO-2011-0331**  
COUNTY OF COLE        )

**COMES NOW** Jerry Scheible, P.E., being of lawful age, and on his oath states the following:

(1) that he is a Utility Regulatory Engineer in the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the preparation of the foregoing Staff Recommendation Memorandum; (3) that he has knowledge of the information presented in the foregoing Staff Recommendation Memorandum; and (4) that the information presented in the foregoing Staff Recommendation Memorandum is true and correct to the best of his knowledge, information and belief.

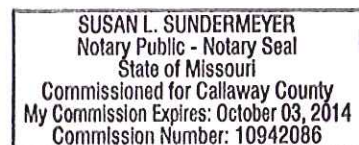


Jerry Scheible, P.E.

Subscribed and sworn to before me this 10<sup>th</sup> day of June 2011.



Notary Public



My Commission Expires: 10-3-14