

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of October, 1992.

IN the matter of the application of)
Bob Connell, d/b/a Woodland Manor Water)
Company for a certificate of convenience)
and necessity authorizing it to construct,)
install, operate and maintain a water) Case No. WA-92-83
system to supply and render water service)
to the public located in an incorporated)
area of Stone County, Missouri.)

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

On October 29, 1991, Bob Connell, d/b/a Woodland Manor Water Company (Applicant), filed an application seeking permission to provide water service to the public as a public utility in Kimberling City located in Stone County, Missouri. Applicant has been operating a water system within Kimberling City, Missouri, and is now seeking a certificate as required by Missouri law. On November 5, 1991, the Commission issued an order and notice of application setting an intervention date of December 5, 1991. No party filed an application for intervention nor has Staff or Public Counsel requested a hearing in this proceeding.

On September 28, 1992, the Staff of the Missouri Public Service Commission (Staff) filed its recommendation in this proceeding. Staff recommends that the Commission:

(1) grant Applicant a certificate of convenience and necessity, to be effective upon the effective date of a tariff to be filed;

(2) approve rates and charges as follows:

RATES FOR METERED CUSTOMERS:

Monthly minimum
(to include 5,000 gallons per month): \$16.13

Commodity charge, per 1,000 gal: \$ 2.45

FLAT RATE FOR UNMETERED CUSTOMERS: \$16.13

ADDITIONAL CHARGES:

Connection Charge, includes tap,
service line, meter and meter setting: \$325.00 plus actual
additional cost for
excavation of rock

Meter installation charge, applicable to existing customers
at the time the meter is installed:

One time charge: \$250.00

or at customer's option, 24 monthly
payments of: \$ 11.65;

(3) order Staff to review rates within eighteen (18) months of the
effective date of the Commission's order granting a certificate;

(4) order Applicant to file a complete tariff within twenty (20) days
of the effective date of the Commission's order;

(5) order Applicant to keep its books and records in accordance with
the Uniform System of Accounts; and

(6) approve depreciation rates for Applicant as shown on Attachment 2
of Staff's memorandum.

In support of its recommendation, Staff states that Applicant has owned
and operated a water system, heretofore unregulated, which has existed since
approximately 1962. Staff states that Applicant has a meter installation program
under way in which existing customers pay for the meter installation. Staff
acknowledges that this is not normally recommended, but that in this case it does

not object because of the substantial investment already existing in this system by Applicant.

Staff further states that the Commission's Accounting Department audit determined that Applicant has no records which can be used to accurately determine rate base, even though there is debt. Staff states it is of the opinion that there is legitimate rate base in this water system. Staff further states as a settlement for this case it estimated rate base by estimating the original cost of the wells, tanks and well house structures based on available information from records of other utilities with similar facilities of similar age. Staff states that the rate base figure (after depreciation) on which rates were calculated is (or it was) \$30,218. Staff states that the Commission's Financial Analysis Department recommends a 10.97% rate of return. Staff states that the proposed total annual utility revenue is \$14,514. Staff states that in order to produce this revenue the above rate schedule was proposed by Staff and accepted by Applicant. Staff states that the rate structure is designed for the time of transition from flat rates to metered rates. Additionally, Staff states as it is unable to calculate the customer's actual use at this time Staff proposes to include 5,000 gallons water use per month in the minimum bill to insure Applicant can collect adequate revenue from metered customers. Furthermore, Staff states that in order to determine whether the proposed rates are appropriate in consideration of actual water use and actual expenses a rate review should be conducted within an eighteen (18) month period.

Staff states that a connection charge of \$325 plus extra actual cost for rock excavation is recommended for new service connections (new construction). Staff states that the \$325 represents the estimated average cost of making a service connection, constructing a service line from the main to the

property line, constructing a meter setting and installing a meter. Staff states this charge is consistent with charges which have been justified recently by other water utilities for similar work. Additionally, Staff states as there is a strong likelihood that rock excavation will be necessary in this subdivision there is provision for a charge for the actual cost of rock excavation. Staff states that all charges are exclusive of any applicable tax.

Additionally, Staff recommends a service area which is set out in Attachment 1 to its Recommendation. Staff further states that one of Applicant's customers is a church that is within the service area of another regulated water company, namely Kimberling City Water Company (KCWC). Staff states even though KCWC does not presently have a water main available for this customer it does not want to permanently delete this portion of its service area. Staff states that KCWC does not object to Applicant providing water service to this customer until such time as KCWC has a main available. Additionally, Staff states the KCWC has verbally agreed to work with Applicant and Staff to resolve this situation. Staff recommends that Applicant and KCWC enter into a contract for wholesale service wherein KCWC buys water from Applicant (at the same rates recommended by Staff) and resell the water to the church at its approved rates, thereby keeping the church as a KCWC customer. The church is, therefore, not made a part of Applicant's service territory granted in this order.

Additionally, Staff recommends depreciation rates for Applicant as set forth in Attachment 2 of Staff's recommendation. Staff states similar depreciation rates have been approved by the Commission for other small water utilities.

Upon review of the application and Staff's recommendation, the Commission finds that providing a clean and reliable source of water to the

proposed service area and in compliance with the Missouri statutes is in the public interest, and the application, subject to Staff's recommendations, is reasonable. The Commission finds Staff's approach for providing water to the church mentioned above is reasonable and Applicant should contract with Kimberling City to provide water to this customer. The Commission finds this preferable to granting a certificate which would incorporate a portion of the service area of another supplier of water service. Thus, the Commission determines that Bob Connell, d/b/a Woodland Manor Water Company's application for a certificate of convenience and necessity is in the public interest and should be approved subject to the conditions outlined by Staff.

IT IS THEREFORE ORDERED:

1. That Bob Connell, d/b/a Woodland Manor Water Company, be, and is, hereby granted a certificate of convenience and necessity to construct, install and maintain a water system in Kimberling City located in Stone County, Missouri, as specifically described in Attachment A.

2. That Bob Connell, d/b/a Woodland Manor Water Company, shall file a complete tariff consistent with this order within twenty (20) days of the effective date of this order.

3. That the tariff to be filed pursuant to Ordered Paragraph 2 shall reflect the following rates and charges for water service in the service area approved by this order:

RATES FOR METERED CUSTOMERS:

Monthly minimum
(to include 5,000 gallons per month): \$16.13

Commodity charge, per 1,000 gal: \$ 2.45

FLAT RATE FOR UNMETERED CUSTOMERS: \$16.13

ADDITIONAL CHARGES:

Connection Charge, includes tap,
service line, meter and meter setting: \$325.00 plus actual
additional cost for
excavation of rock

Meter installation charge, applicable to existing customers
at the time the meter is installed:

One time charge: \$250.00

or at customer's option, 24 monthly
payments of: \$ 11.65

4. That the Staff of the Missouri Public Service Commission shall review the rates herein approved for Bob Connell, d/b/a Woodland Manor Water Company, within eighteen (18) months after the effective date of this order.

5. That Bob Connell, d/b/a Woodland Manor Water Company, shall keep its books and records in accordance with the Uniform System of Accounts.

6. That Bob Connell, d/b/a Woodland Manor Water Company, shall utilize depreciation rates as shown on Attachment B of this order.

7. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, nor of the value for ratemaking purposes of the properties herein included, nor as an acquiescence in the value place on said property.

8. That the Commission reserves the right to consider the ratemaking treatment to be afforded the facilities constructed pursuant to the certificate

of convenience and necessity granted herein, and its resulting cost of capital,
in any later proceeding.

9. That this order shall become effective October 27, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Perkins
and Kincheloe, CC., Concur.
Rauch, C., Dissents.

WOODLAND MANOR WATER COMPANY

Proposed Service Area

The N 1/2 of Sec 3 T22N R23W and the N 1/2 of the SW 1/4 of said Sec 3 which lies to the west of Schooner Creek Cove of Table Rock Lake, and lies to the east of a line 200' west of and parallel to Wildwood Lane, also known as Old MO Hwy 13.

The E 1/2 of Sec 4 T22N R23W which lies to the east of MO Hwy 13, and the NE 1/4 of said Sec 4 which lies to the west of MO Hwy 13, and lies east of a line 200' west of and parallel to Wildwood Lane, also known as Old MO Hwy 13.

The SW 1/4 of the SW 1/4 of Sec 34 T23N R23W which lies to the east of MO Hwy 13, and lies west of a line 200' east of and parallel to Oak Drive.

Proposed Depreciation Rates for Woodland Manor Water Company
PSC Water and Sewer Department

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate Percent</u>
311	Structures & Improvements	2.5
314	Wells & Springs	2.0
316	Supply Mains	2.0
317	Other Water Source Plant	2.0
321	Structures & Improvements	2.5
325	Electric Pumping Equipment (20 yr, -5% salv)	5.3
328	Other Pumping Equipment	5.0
332	Water Treatment Equipment	2.9
342	Distribution Reservoirs & Standpipes	2.5
343	Transmission & Distribution Mains	2.0
344	Fire Mains	2.0
345	Services	2.9
346	Meters - Bronze (35 yr, +5% salv)	2.7
347	Meters - Plastic	10.0
348	Hydrants	2.5
349	Other Transmission & Distribution Plant	3.3
391	Office Furniture & Equipment	5.0
392	Transportation Equipment (7 yr, +10% salv)	13.0
393	Stores Equipment	4.0
394	Tools, Shop, Garage Equipment	5.0
395	Laboratory Equipment	5.0
396	Power Operated Equipment	6.7
397	Communication Equipment	6.7
398	Miscellaneous Equipment	5.0