

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 6th day of December, 2017.

In the Matter of Missouri-American Water Company)
Application for a Certificate of Convenience and)
Necessity Authorizing It to Install, Own, Acquire,) **File No. SA-2018-0068**
Construct, Operate, Control, Manage and Maintain a)
Sewer System in an Area of St. Louis County, Missouri)
(Radcliffe Place))

**ORDER GRANTING CERTIFICATE OF
CONVENIENCE AND NECESSITY**

Issue Date: December 6, 2017

Effective Date: December 16, 2017

Missouri-American Water Company (“MAWC”) filed an application on September 7, 2017, with the Missouri Public Service Commission (“Commission”) requesting a Certificate of Convenience and Necessity (“CCN”) to install, own, acquire, construct, operate, control, manage, and maintain a sewer system in the Radcliffe Place subdivision (“Radcliffe Place”) in St. Louis County, Missouri. MAWC is a “water corporation,” a “sewer corporation,” and “public utility” as those terms are defined in Section 386.020, RSMo (2016), and is subject to the jurisdiction of the Commission.

The CCN would allow MAWC to acquire sewer utility assets of the Radcliffe Place Community Services Association, Inc. (“Association”), a homeowner’s association not currently subject to the Commission’s jurisdiction. MAWC would provide sewer service for Radcliffe Place’s 128 residential customers. MAWC already provides water service to Radcliffe Place.

The Commission issued notice and set a deadline for intervention requests, but received no requests. On November 9, 2017, the Commission's Staff filed its recommendation to approve the transfer of assets and grant a CCN, with certain conditions.

Commission Rule 4 CSR 240-2.080(13) allows parties ten days to respond to pleadings unless otherwise ordered by the Commission. The Commission issued no order to the contrary of that rule, and no party has objected to MAWC's application or Staff's recommendation. Thus, the Commission will rule upon the application unopposed.¹

The Commission may grant a sewer corporation a CCN to operate after determining that the construction and operation are either "necessary or convenient for the public service."² The Commission articulated criteria to be used when evaluating applications for utility certificates of convenience and necessity in the case *In Re Intercon Gas, Inc.*, 30 Mo P.S.C. (N.S.) 554, 561 (1991). The *Intercon* case combined the standards used in several similar certificate cases, and set forth the following criteria: (1) there must be a need for the service; (2) the applicant must be qualified to provide the proposed service; (3) the applicant must have the financial ability to provide the service; (4) the applicant's proposal must be economically feasible; and (5) the service must promote the public interest.³

¹ The Commission may grant the certificate without holding a hearing. See *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

² Section 393.170.3, RSMo.

³ The factors have also been referred to as the "Tartan Factors" or the "Tartan Energy Criteria." See Report and Order, *In re Application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a Certificate of Convenience and Necessity*, Case No. GA-94-127, 3 Mo. P.S.C. 3d 173 (September 16, 1994).

There is a need for the service as 128 residents of Radcliffe Place currently make use of the existing sewer system. MAWC is qualified to provide the service as it already provides water service to over 450,000 Missouri customers, and sewer service to over 11,000 Missouri customers. MAWC has the financial ability to provide the service as no external financing is anticipated. The proposal is economically feasible according to MAWC's feasibility study, which is not unrealistic given its prior experience and past performance. The proposal promotes the public interest as demonstrated by the Association's members voting to proceed with MAWC's Asset Purchase Agreement.

Based on the application and Staff's recommendations, the Commission concludes that the factors for granting a certificate of convenience and necessity to MAWC have been satisfied and that it is in the public's interest for MAWC to provide sewer service to the customers currently served by the Association. Further, the Commission finds that MAWC possesses adequate technical, managerial, and financial capacity to operate the sewer system it wishes to purchase from the Association. Thus, the Commission will authorize the transfer of assets and grant MAWC the certificate of convenience and necessity to provide sewer service within the proposed service area, subject to the conditions described by Staff and MAWC's statement that it will not seek to recover any acquisition premium.

MAWC's application also asks the Commission to waive the 60-day notice requirement in 4 CSR 240-4.017(1). MAWC asserts there is good cause for granting such waiver because it did not engage in conduct that would constitute a violation of the Commission's ex parte rule, and no asset purchase agreement existed within 60 days prior to filing its application. The Commission finds good cause exists to waive the notice requirement, and a waiver of 4 CSR 240-4.017(1) will be granted.

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company is granted a certificate of convenience and necessity to provide sewer service to the Radcliffe Place subdivision described in the revised map and legal description Missouri-American Water Company provided to Staff, subject to the conditions and requirements contained in Staff's Recommendation, including the filing of tariffs, as set out below:

- a. Missouri-American Water Company shall apply the existing sewer rates and service charges that currently apply to its Cedar Hill service area, except Connection Charges and Capacity Charges included on the Schedule of Service Charges applicable to MAWC's Cedar Hill service area shall not apply to the Radcliffe Place service area;
- b. Missouri-American Water Company shall submit new tariff sheets, to become effective before closing on the assets, to include new sheets with the service area map and service area metes and bounds description, revised tariff sheets with notations showing approved rates and service charges, and a revised tariff sheet to include Rule 13.B.1. applicable to Radcliffe Place, all to be included in its sewer tariff PSC MO No. 26;
- c. Missouri-American Water Company's existing approved depreciation rates for sewer assets shall apply to the Radcliffe Place service area assets;
- d. If the closing on the sewer system assets does not take place within 30 days following the effective date of the Commission's order approving such, Missouri-American Water Company shall submit a status report within five days after this 30-day period regarding the status of closing and additional status reports within five days after each additional 30-day period until closing takes place, or until Missouri-American Water Company determines that the transfer of the assets will not occur;
- e. If Missouri-American Water Company determines that a transfer of the assets will not occur, it shall notify the Commission no later than the date of the next status report, as addressed above, after such determination is made. In addition, Missouri-American Water

Company shall submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the Radcliffe Place service area in its sewer tariffs;

- f. Missouri-American Water Company shall keep its financial books and records for Radcliffe Place plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- g. Missouri-American Water Company shall provide an example of its actual communication with the Radcliffe Place service area customers regarding its acquisition and operations of the Radcliffe Place sewer system assets, and how customers may reach Missouri-American Water Company, within ten days after closing on the assets;
- h. Missouri-American Water Company shall obtain from Radcliffe Place, as best as possible prior to or at closing, all records and documents, including but not limited to all plant-in-service original cost documentation, depreciation reserve balances, documentation of contributions-in-aid-of-construction (CIAC) transactions, and any capital recovery transactions;
- i. Missouri-American Water Company shall provide in its next general rate case an analysis documenting its proposed rate base values for Radcliffe Place's sewer system assets, including an appropriate offset for associated CIAC;
- j. The Commission specifically makes no finding that would preclude it from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the certificate of convenience and necessity to Missouri-American Water Company, including expenditures related to the Radcliffe Place certificated service area and capacity adjustments, in any later proceeding;
- k. Missouri-American Water Company shall ensure adherence to Commission Rules at 4 CSR 240-13 with respect to Radcliffe Place customers;
- l. Missouri-American Water Company shall include the Radcliffe Place customers in its established monthly reporting to the Staff Consumer & Management Analysis Unit (CMAU) on customer service and billing issues;
- m. Missouri-American Water Company shall distribute to the Radcliffe Place customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its sewer

service, consistent with the requirements of Commission Rules at 4 CSR 240-13.-4- (2) (A-L), within ten days of closing on the assets;

- n. Missouri-American Water Company shall provide adequate training for the correct application of rates and rules, including sewer charges, to all customer service representatives prior to Radcliffe Place customers receiving their first bill from Missouri-American Water Company that include sewer charges; and,
- o. Missouri-American Water Company shall provide to the CMAU staff a sample of ten billing statements from the first month's billing within 30 days of such billing.

2. Missouri-American Water Company is authorized to acquire Radcliffe Place Association's assets identified in the application.

3. Missouri-American Water Company is authorized to take other actions as may be deemed necessary and appropriate to consummate the transactions proposed in the application.

4. This order shall become effective on December 16, 2017.

5. This file shall be closed on December 17, 2017.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Pridgin, Deputy Chief Regulatory Law Judge

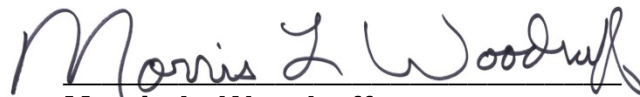
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 6th day of December 2017.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

December 6, 2017

File/Case No. SA-2018-0068

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Commission**

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.