

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

CASE NO. WA-81-320

In the matter of the application of
Kysar Northland Subdivision Water
System, Inc., for permission, approval
and a certificate of convenience and
necessity authorizing it to construct,
install, own, operate, control, manage
and maintain a water system for the
public located in an unincorporated area
in Butler County, Missouri.

APPEARANCES: NORMAN L. CHADWICK, Attorney at Law, Commerce Bank
Building, Post Office Box 310, Poplar Bluff, Missouri 63901,
for applicant, Kysar Northland Subdivision Water System, Inc.

MARY ANN GARR, Assistant General Counsel, Missouri Public
Service Commission, Post Office Box 360, Jefferson City,
Missouri 65102, for the Staff of the Missouri Public Service
Commission.

REPORT AND ORDER

On May 11, 1981, Kysar Northland Subdivision Water System, Inc., filed its application for a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage and maintain a water system for the public located in an unincorporated area in Butler County, Missouri. Said application was set for hearing by the Commission's order of July 15, 1981. No applications to intervene were made. The hearing was duly commenced on October 14, 1981, at which the Company and the Staff of the Missouri Public Service Commission presented evidence. The hearing was concluded and submitted on the record. The reading of the transcript by the Commissioners was waived by all parties.

Findings of Fact

In contrast to the heading style of this application, there presently is a water system in place and it is presently operating. The instant application was made at the behest of the Staff of the Missouri Public Service Commission.

Orville Kysar is the principal owner of the Applicant and was the initial developer of the subdivision involved. Mr. Kysar originally drilled the well which is the source of the water for the system, and installed the lines serving the subdivision. This was done in 1971 after the City of Poplar Bluff refused to extend water service to the subdivision, most of which lies outside the city limits of Poplar Bluff.

Due to complaints received by the Commission in regard to the operation of the water system involved, the Staff requested Mr. Kysar to make the instant application. The evidence presented by both the Applicant and the Staff shows that an adequate system is in place and operating. The evidence further shows that the Applicant could adequately run and maintain the system. The only questionable aspect of the application is the economic feasibility of the system.

Both the Company and the Staff presented evidence on the rates that each believes should be charged. The rates were based on the system serving the 24 homes currently being served. There are 17 undeveloped lots that could become part of the system in the future. The Applicant sought a customer charge of \$71.00 per month, with an unspecified commodity charge.

The Staff presented two rate structures. One is based on metered usage and the other rate structure is a flat rate. The flat rate, based on 24 customers, presented by the Staff is \$45.38. The metered rate consists of a \$21.12 customer charge, with a commodity charge of \$3.68 on every 1,000 gallons of water used. An average customer bill under Staff's metered proposal would be \$46.50. An additional difference between the two structures presented by the Staff would be a \$150.00 up-front cost for a meter, as opposed to a \$50.00 up-front cost associated with the flat rate. The Staff supports a metered rate to promote conservation of water.

The Staff's customer charge is less than one third of the customer charge sought by the Applicant. But even with that, the Staff admitted that a \$45.00-a-month water bill is most likely prohibitive. That is, the residents of the proposed service area would not pay that much for water service and would seek an alternative

source, wherein lies the problem of economic feasibility. The difficult aspect of this case is that there is no real economically feasible alternative source of water supply. People could drill their own wells at \$3,000 to \$5,000 a well, and/or share wells. This is an undesirable method from the viewpoint of preserving the quality of the water supply. The homeowners could buy the Applicant's system or build their own. This would possibly be the best way, but attempts to do so in the past have failed. The basic problem is that Mr. Kysar has been supplying water service since 1971 for practically no charge. Consequently, those people in the subdivision who have complained in the past about the system will probably not be willing to pay the proposed rates.

The Staff suggested that the Commission make the grant of authority conditioned on at least 20 homeowners filing applications to receive service. The Applicant requested such number to be 24, the number of homes the rates presented were based upon.

Conclusions

The Applicant is a water corporation as defined by Section 386.020, R.S.Mo. 1978. Pursuant to the terms of Section 393.170, R.S.Mo. 1978, the Commission shall grant a certificate of convenience and necessity authorizing the construction and operation of a water system for the public where it finds the same is necessary or convenient for the public service, and the Commission may, by its order, impose such condition or conditions as it may deem reasonable and necessary.

The Commission has determined that due to the questionable feasibility of this system, i.e., whether the residents in the service area will apply for service or seek an alternative source of water, the grant of a certificate of convenience and necessity should be contingent on a showing by the Company that 20 or more residents have applied for service. In the event that the Company shows that fewer than 20 residents apply for service, no certificate of convenience and necessity will be issued. The Commission is of the opinion that the Company should continue to provide service for a period of not less than 90 days after such showing, to give residents

of the subdivision currently served by the system a reasonable opportunity to find an alternative source of water supply. The Commission is of the opinion that the rates to be charged should be based on the Staff's calculations for metered water in Exhibit 4.

The Commission has further determined that the Applicant shall send written notice to the customers of the findings in this report and order, setting out the fact that service is contingent on 20 of the residents of the Kysar Northland Subdivision applying for service and delineate the rate that will be charged if only 20 apply for service. Furthermore, the notice shall set out the rate a homeowner would experience using an average of 6,000 gallons a month, if only 20 residents apply. The notice shall also set out the initial cost of installing a meter.

It is, therefore,

ORDERED: 1. That Kysar Northland Subdivision Water System, Inc., upon further order of the Commission, will be granted a certificate of convenience and necessity to construct, install, own, operate, control, manage and maintain a water system for the public, located in an unincorporated area in Butler County, Missouri, upon the filing by the Company with the Commission of copies of at least 20 applications for water service from the residents of the Kysar Northland Subdivision, within thirty (30) days of the mailing of the notice required in Ordered 2.

ORDERED: 2. That the Kysar Northland Subdivision Water System, Inc., shall send notice of this report and order to the residents of the subdivision as specified in the conclusions of this report and order.

ORDERED: 3. That before the said notice in Ordered 2 is sent, it must be approved by the Commission. The notice shall be submitted to the Commission for approval on the effective date of this report and order.

ORDERED: 4. That should a certificate of convenience and necessity be granted by virtue of this report and order, the Kysar Northland Subdivision Water System, Inc., shall file, within thirty (30) days thereof, tariffs reflecting the authorized service area, the rules and regulations for water service, and rates

consistent with the calculations for metered water service set out in Staff's Exhibit 4.

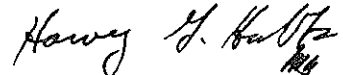
ORDERED: 5. That the residents to whom notice will be sent shall have twenty (20) days from the date of mailing the notice to apply for service.

ORDERED: 6. That the Kysar Northland Subdivision Water System, Inc., shall maintain records in accordance with the Uniform System of Accounts for water companies of its size, if a certificate is granted.

ORDERED: 7. That should twenty (20) residents not apply for water service as required for a certificate, the Company shall continue providing service for a period of not less than ninety (90) days after such showing by Company.

ORDERED: 8. That this report and order shall become effective on the 10th day of November, 1981.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

McCartney, Shapleigh and Musgrave, CC.,
Concur.
Fraas, Chm., and Dority, C., Absent.

Dated at Jefferson City, Missouri,
on this 29th day of October, 1981.