

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

In the Matter of the Application of Elm Hills)
Utility Operating Company, Inc. and)
Missouri Utilities Company for Elm Hills to)
Acquire Certain Water and Sewer Assets of)
Missouri Utilities Company, for a Certificate)
Of Convenience and Necessity, and, in)
Connection therewith, to Issue Indebtedness)
And Encumber Assets)
)

Case No. SM-2017-0150

STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Status Report* in this matter hereby states:

1. Elm Hills Utility Operating Company, Inc. (Elm Hills) in conjunction with Missouri Utilities Company (Missouri Utilities) filed a Joint Application November 22, 2016, for Elm Hills to acquire certain water and sewer assets and the Certificate of Convenience and Necessity of Missouri Utilities. Elm Hills has also filed for a certificate of convenience and necessity for a sewer service area that is presently served by a non-regulated entity, State Park Village Sewer, Inc. (State Park Village), including purchase of its sewer plant. The Commission ordered Staff to file either a recommendation or a status report on these acquisitions by January 31, 2017.

2. Regulations 4 CSR 240-3.310 and 4 CSR 240-3.605 are the applicable rules for the sale, assignment, lease or transfer of sewer and water assets, respectively. Regulation 4 CSR 240-3.305 outlines the requirements for obtaining a certificate of convenience and necessity for a sewer system.

3. Staff immediately began its investigation following the filing of the case and has drafted portions of its final recommendation. However, due to delays in receiving discovery, Staff's investigation and its final recommendation are presently incomplete. Staff has a *Motion to Compel* against Missouri Utilities and its receiver, Gary Cover, presently pending before this Commission. Prior to issuing any recommendation on Elm Hills acquiring Missouri Utilities and State Park Village, Staff must verify that all expenses and revenues for Missouri Utilities are accounted for, which is primarily the outstanding information requested in discovery.

4. Elm Hills responded to Staff's first round of data requests, but Staff requires follow-up on several of the responses in order to clarify and/or seek more specificity on some issues, including the potential refinancing of the proposed Fresh Start Ventures, LLC, financing agreement. Staff intends to issue these follow-up data requests no later than this week.

5. As part of this acquisition, Elm Hills has proposed rates that would reflect an increase from the rates presently approved for Missouri Utilities, and would establish new rates for State Park Village. Altering rates already established by the Commission is an action normally conducted during rate cases. However, due to the troubled nature of Missouri Utilities, which is in receivership, an increase may be appropriate in order for the new utility to improve water and sewer service to an acceptable level. This would be proper only if the Commission determines the application justifies such an increase. This rate increase request places even greater importance on timely, clear, and informative discovery responses from the applicants.

6. Due to the level of public interest and sensitive nature of cases involving troubled water and sewer systems such as this matter, there is a heightened interest in a thorough investigation. However, Staff has no intent to delay proceedings and will provide a completed report of its investigation and recommendation as soon as it has received and reviewed all discovery requests, and can verify that the requirements of 4 CSR 240-3.310; 4 CSR 240-3.605; and 4 CSR 240-3.305 have been met.

WHEREFORE, Staff prays that the Commission will accept this *Status Report*, and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

/s/ Whitney Payne

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 30th day of January, 2016, to all counsel of record.

/s/Whitney Payne