

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

In the Matter of the Joint Application of)
188 North Summit, LLC and Seges Partners)
Mobile Home Park, LLC for)
Authority To Acquire The Water System)
and Wastewater System Assets of)
Seges Partners Mobile Home Park LLC)
and For a Certificate of Convenience)
and Necessity to Provide)
Water and Sewer Services)

Case Nos. SM-2018-0017
and WM-2018-0018

STAFF RECOMMENDATION

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

188 North Summit, LLC, and Seges Partners Mobile Home Park LLC, (Applicants) filed a joint application with the Commission July 18, 2017, requesting authority for 188 North Summit to purchase substantially all of the water and sewer assets of Seges Partners. 188 North Summit also asked for certificates of convenience and necessity to provide water and sewer services to customers presently served by Seges Partners.

1. On July 19, 2017 the Commission issued an order directing Staff to file a pleading no later than August 16, 2017 stating the date by which it anticipated filing its recommendation in this matter. The Commission order also set the date of August 16, 2017 for any interested parties to intervene. To date, no interested parties have filed to intervene. Staff filed its *Notice of Date by Which to File* on August 16, 2017 indicating its intention to file a recommendation no later than August 25, 2017.

2. Section 393.190(1), RSMo, requires a water or sewer utility to obtain Commission approval prior to selling, assigning, leasing, transferring, mortgaging or disposing of its assets or system to any other entity. Rule 4 CSR 240-2.060 governs the

requirements of filing an application before the Commission. Water and sewer utilities must obtain permission from the Commission pursuant to the requirements of 4 CSR 240-3.310 and 4 CSR 240-3.605 regarding requests for authority to sell, assign, lease or transfer assets. They are also required to meet 4 CSR 240-3.305 and 4 CSR 240-3.600 regarding requests for certificates of convenience and necessity.

3. Staff conducted an investigation pursuant to the *Application* and found that permitting 188 North Summit to acquire the water and utility assets of Seges Partners is not detrimental to the public interest. However, Staff includes in its *Memorandum*, filed with this pleading as Appendix A, several recommendations it suggests the Commission adopt in its order regarding this proceeding. Staff also finds that granting certificates of convenience and necessity to 188 North Summit related to the service area and customers of Seges Partners is not detrimental to the public interest, but recommends the Commission also cancel the currently effective certificates of convenience and necessity granted to Seges Partners in Case No. WA-2008-0403.

4. The *Application* filed by the Applicants meets all of the requirements of Rule 4 CSR 240-2.060 regarding the filing of an application before the Commission. Additionally the Applicants' requests meet the requirements for water and sewer utilities of 4 CSR 240-3.310 and 4 CSR 240-3.605 regarding a request for authority to sell, assign, lease or transfer assets, as well as 4 CSR 240-3.305 and 4 CSR 240-3.600 regarding requests for certificates of convenience and necessity.

5. Staff makes the following recommendations in addition to recommending approval of the Applicants' requests:

- a. Permit 188 North Summit to adopt the currently effective water and sewer tariffs of Seges Partners.
- b. Prescribe the depreciation accrual rates for water and sewer utility plant identical to those currently in effect for Seges Partners to 188 North Summit.
- c. Cancel the certificates of convenience and necessity granted to Seges Partners in Case No. WA-2008-0403.
- d. Require 188 North Summit to send notice to its customers of the pending transfer of assets and change of ownership of the water and sewer utilities, to be developed in partnership with Staff.
- e. Inform 188 North Summit of requirements, including but not limited to, submit annual reports, submit annual assessment payments, keep its books in accordance with the NARUC Uniform System of Accounts, maintain and operate its facilities in accordance with all Commission and Department of Natural Resources (DNR) regulations, and adhere to all of the Commission's rule.
- f. Direct 188 North Summit to notify the Commission within five days of closing on the assets of Seges Partners or notify the Commission if transfer does not occur.
- g. Authorize Seges Partners to cease providing water and sewer service after 188 North Summit closes on the water and sewer assets.
- h. Direct 188 North Summit to send a sample of ten billing statements to Staff's Consumer and Management Analysis Unit within 30 days of its first bill issued following closing on the assets.

i. Direct 188 North Summit to provide an informational brochure to notify its customers of the rights and responsibilities of the utility and the customers under Rule 4 CSR 240-13.040.

6. Seges Partners is not currently in violation of any DNR requirements or permits. Seges Partners is up to date on filing its annual reports and making its assessment payments to the Commission. Neither entity has any other matters pending before the Commission.

WHEREFORE, Staff recommends that the Commission accept this *Staff Recommendation*; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

/s/ Whitney Payne

Whitney Payne
Legal Counsel
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Attorney for the Staff of the
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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 25th day of August, 2017, to all counsel of record.

/s/ Whitney Payne

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File Nos. SM-2018-0017 and WM-2018-0018
Seges Partners Mobile Home Park LLC, and 188 North Summit, LLC

FROM: James Merciel – Water and Sewer Department
Kim Bolin – Auditing Department
Deborah Bernsen – Consumer and Management Analysis Unit
Keenan Patterson – Engineering Analysis Unit

/s/ James Merciel / August 25, 2017

Case Coordinator / Date

/s/ Whitney Payne / August 25, 2017

Staff Counsel / Date

SUBJECT: Staff's Recommendation to Approve Transfer of Assets

DATE: August 25, 2017

CASE BACKGROUND

On July 18, 2017, Seges Partners Mobile Home Park LLC (Seges or Seller) and 188 North Summit, LLC (188NS or Buyer), together referred to as "Joint Applicants," filed a *Joint Application Request for Certain Rule Waivers and Contingent Motion for Waiver* (Application) in two separate dockets, one pertaining to the sewer system and one to the water system. In the Application, the Joint Applicants seek authority for Seges to sell and transfer its water and sewer utility assets to 188NS, and seek other related relief that includes granting 188NS a Certificate of Convenience and Necessity (CCN) to provide water and sewer service. 188NS also seeks authority to adopt existing water and sewer tariffs, and rates, currently approved and on file with the Commission for Seges.

On July 19, 2017, the Commission issued its *Order Directing Notice and Order Directing Filing*. In this Order the Commission directed all information pertaining to this case be sent to the County Clerk and County Commission of Callaway County. The Commission also directed any interested party wishing to intervene in this case to file an application to intervene no later than August 16, 2017. No party has filed seeking intervention. The Commission also directed that no later than August 16, 2017, the Staff shall file a pleading stating when it anticipates filing its recommendation. On August 16, 2017 Staff filed its *Notice of Date by Which to File* stating it would file a recommendation memorandum on or before August 25, 2017.

BACKGROUND OF THE UTILITY SYSTEMS

Seges obtained a CCN in Case Number WA-2008-0403¹ to provide water and sewer service in a service area that is comprised of rental spaces in a mobile home park that it owned until recently in Holts Summit, MO. The water system consists of a distribution system, with meters for each occupied mobile home space, and a metered connection with Callaway County Water District 1. The sewer system consists of a gravity collection system, and a connection for sewage treatment with the City of Holts Summit. According to Seges' 2016 annual report filed with the Commission, at the end of that calendar year Seges had 55 residential customers receiving water and sewer service. At

¹ Consolidated, to include Case No. SA-2009-0401.

present Seges is considered to be a Public Water Supply under the Missouri Department of Natural Resources regulations and has a DNR-issued identification number. It does not have a DNR-issued wastewater permit because it does not discharge wastewater to any waterway; rather wastewater discharge is handled by another sewer utility that does have a wastewater permit. There are no compliance issues regarding DNR matters.

STAFF'S INVESTIGATION

Staff conducted an investigation of this matter, and its review and recommendations are outlined herein.

The proposed transaction that is before the Commission for approval involves a transfer of water and sewer utility assets, from Seges to 188NS. However, the transaction comes about because the principal business of Seges currently was as landlord of the affected mobile home park rental spaces, and provider of regulated water and sewer utility service to the renters/customers in the service area. The utility service is ancillary to the mobile home park business. Seges has already sold its mobile home park in Holts Summit to 188NS, however because of the Commission's regulatory approval requirements, the water and sewer assets specifically have not yet been transferred to 188NS.

Along with approval of the proposed transfer of assets, 188NS proposes to adopt Seges' approved water and sewer tariffs including existing rates for water and sewer service. 188NS also seeks a CCN for authority to provide water and sewer service. Although not specifically requested by the Joint Applicants, Staff recommends that, if the Commission approves these requested items, it would also be appropriate to cancel the CCN currently issued to Seges, and also prescribe for 188NS the same depreciation rates for utility plant that are currently in place for Seges.

Customer Service and Facility Operations

Management for 188NS indicated to Staff that it intends to utilize the services of a professional mobile home park contract management company, which operates nationwide, as an off-site manager. This contract manager will perform billing for both rental spaces and water and sewer utility service, will maintain billing records, and handle customer billing inquiries. Seges and 188NS presently are working together to transfer utility billing information from Seges' current system to the contract manager's billing system; that transfer of information will be finalized in conjunction with closing on the water and sewer assets. The Consumer and Management Analysis Unit (CMAU) conducted a customer service and business office operations review of Seges in conjunction with a rate case it filed in 2016, and subsequently withdrew. That review did not identify any areas of concern at that time. Staff is working with 188NS to ensure compliance with all 4 CSR 240-13 provisions going forward. Management with 188NS has indicated to Staff that after the transfer of assets it will continue operations according to existing approved tariffs, that it has reviewed the Commission's "billing rules," 4 CSR 240-13, and will ensure compliance with these provisions after the transfer of assets is accomplished. CMAU staff proposes recommendations below regarding the customer service operations that will be provided by 188NS after the transfer of assets.

Management with 188NS indicates that it is retaining the services of a local mobile home park manager who is currently working for Seges. This person, who has a DNR-issued water distribution system operator's license, oversees the day-to-day operations of the water distribution system including meter reading, operations of the sewer collection system, and is available to respond to emergency service issues.

Rate Impact

Since 188NS proposes to adopt Seges' existing rates, there will be no immediate impact to customers. Rates currently in effect are as follows:

Water rates:

Customer Charge	\$12.49 per month
Commodity Charge	\$2.37 per 1,000 gallons

Sewer rates:

Customer Charge	\$32.53 per month
Commodity Charge	\$4.65 per 1,000 gallons water use

The sewer commodity charge applies every month year-round.

Bill table, combined water and sewer:

Monthly Usage	Bill Amount
1,000 GALLONS	\$52.04
2,000 GALLONS	\$59.06
5,000 GALLONS	\$80.12
8,000 GALLONS	\$101.18

Rate Base

Staff updated, through June 30, 2017, the water plant in service, accumulated depreciation and Contributions in Aid of Construction (CIAC) balances that were established in Seges' CCN case, Case No. WA-2008-0403. Staff also updated, through June 30, 2017, the sewer plant in service, accumulated depreciation and CIAC balances that were established in Seges most recent rate case, Case No. SR-2017-0099, which addressed only sewer rates. As of June 30, 2017, net rate base was \$40 for water and \$0 for sewer. *Attachment A* details the account balances as of June 30, 2017.

Customer Notice

The affected residents have received notice of the sale of the mobile home park, but not to changes in their utility service. Staff has discussed development of a notice to be sent to customers regarding the change in utility ownership, and management of 188NS assured cooperation in this regard. That notice has not yet been sent. However, Staff notes that there are no significant changes to utility service, and no rates, rules or billing procedures are proposed to be changed. There will only be changes to the actual utility owner, where bills will be sent from, where customers will send payments, and contact information for calling about billing inquiries.

OTHER ISSUES

Seges is a limited liability company currently in "active" status with the Missouri Secretary of State. It is current on its annual report filings with the Commission through calendar year 2016, as documented on the Commission's Electronic Filing and Information System (EFIS), and is current

on its annual assessment quarterly payments through the first quarter of fiscal year 2018, as posted by the Commission's Budget and Financial Services Department.

188NS is a limited liability company currently in "active" status with the Missouri Secretary of State. Since it is at present not a regulated utility, it has no obligations due to the Commission.

Niether Seges nor 188NS have other pending matters before the Commission.

As a newly regulated utility, 188NS will be required to submit annual reports and pay an annual assessment to the Commission, will be required to keep its books and records in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts, maintain and operate its water and sewer plant facilities in accordance with Commission and DNR regulations including meter accuracy, and handle customer billing issues in accordance with Commission regulations. Staff is available to and will work with 188NS to ensure continued compliance with all applicable state statutes and Commission rules.

STAFF'S RECOMMENDATIONS AND CONCLUSIONS

Staff's position, based on its review as described herein, is that the proposal for the transfer of assets from Seges to 188NS is not detrimental to the public interest. Staff therefore recommends approval with the conditions and actions as outlined herein.

STAFF'S RECOMMENDATIONS

Based upon the above, Staff recommends that the Commission:

1. Approve the transfer of assets from Seges to 188NS, as requested;
2. Require Seges or 188NS to notify the Commission of closing on the assets within five (5) days after such closing;
3. Issue 188NS a CCN to provide water and sewer service in Seges existing service area, to become effective upon closing of the assets;
4. Authorize 188NS to provide service under the water and sewer tariffs presently in effect and on file for Seges, on an interim basis, until Adoption Notice tariff sheets become effective;
5. Require 188NS to adopt the Seges tariffs by filing Adoption Notice tariff sheets, one each for the water tariff and the sewer tariff, with 30-day effective dates, within ten (10) days after closing on the assets;
6. Prescribe depreciation accrual rates for water and sewer utility plant for 188NS that are identical to those currently prescribed for Seges;
7. Authorize Seges to cease providing water and sewer service immediately after closing with 188NS on the assets;
8. After receiving notice of closing, cancel the CCN authorizing Seges to provide water and sewer service; and,
9. If Seges and/or 188NS determine that the transfer of the water and sewer assets will not occur, require either or both parties to notify the Commission of such.
10. Require 188NS to ensure compliance to Commission Rule 4 CSR 240-13, its tariffs, its

- recordkeeping in accordance with the NARUC Uniform System of Accounts, and other pertinent regulations of the Commission and DNR, and keep current with its annual reports and payment of annual assessments;
11. Require 188NS to provide to the CMAU staff within thirty (30) days of its first billing issued to its customers a sample of ten (10) billing statements;
 12. Require 188NS to work with Staff on the development and distribution of notice to the customers regarding the transfer of utility assets and the contact information of the new water and sewer utility;
 13. Require 188NS to update and distribute to all customers an informational brochure detailing the rights and responsibilities of the utility and its customers, consistent with the requirements of Commission Rule 4 CSR 240-13.

Attachment:

- A. Account Balances

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Necessity to Provide Water and Sewer)
Services)

**Case Nos. SM-2018-0017
WM-2018-0018**

AFFIDAVIT

State of Missouri)
) ss.
County of Cole)

COMES NOW Deborah Ann Bernsen, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Memorandum; and that the same is true and correct according to her best knowledge and belief.

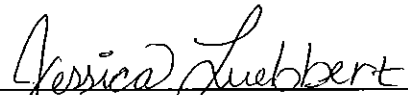
Further the Affiant sayeth not.



Deborah Ann Bernsen

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2017.



NOTARY PUBLIC

JESSICA LUEBBERT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: February 19, 2019 Commission Number: 15639434

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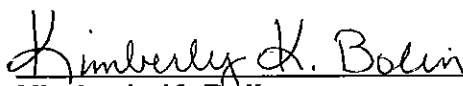
**Case Nos. SM-2018-0017
WM-2018-0018**

AFFIDAVIT

State of Missouri)
) ss.
 County of Cole)

COMES NOW Kimberly K. Bolin, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Memorandum; and that the same is true and correct according to her best knowledge and belief.

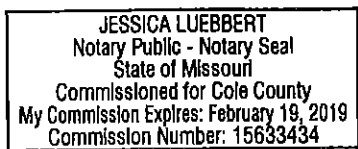
Further the Affiant sayeth not.

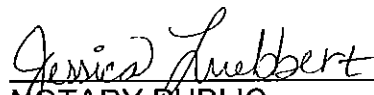


Kimberly K. Bolin

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2017.





NOTARY PUBLIC

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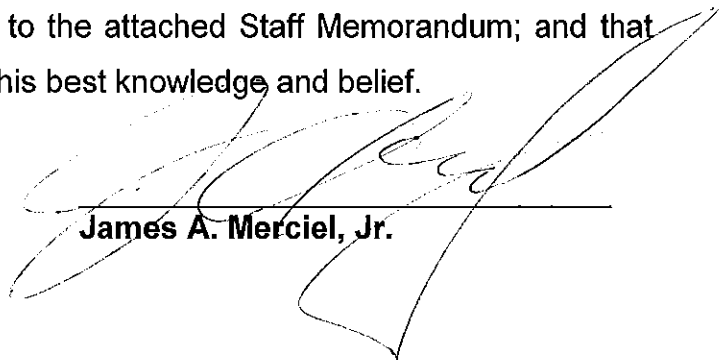
Case Nos. SM-2018-0017
WM-2018-0018

AFFIDAVIT

State of Missouri)
) ss.
County of Cole)

COMES NOW James A. Merciel, Jr. and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Memorandum; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

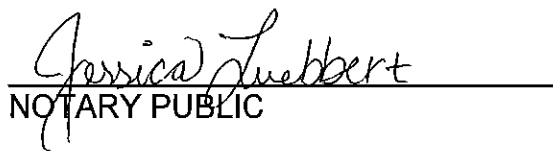


James A. Merciel, Jr.

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2017.

JESSICA LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: February 19, 2019
Commission Number: 15633434



NOTARY PUBLIC

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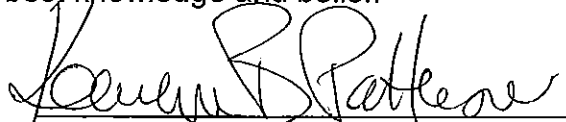
Case Nos. SM-2018-0017
WM-2018-0018

AFFIDAVIT

State of Missouri)
) ss.
County of Cole)

COMES NOW Keenan B. Patterson, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Memorandum; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




Keenan B. Patterson, P.E.

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2017.

<p>JESSICA LUEBBERT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: February 19, 2019 Commission Number: 15633434</p>
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NOTARY PUBLIC

Seges Partners Moblie Home Park, LLC/188 North Summit, LLC
Cases Nos. SM-2018-0017 and WM-2018-0018
Sewer Rate Base as of June 30, 2017

Plant in Service	
Account 301 - Organization	\$ 2,500
Account 352.1 - Collection Sewer - Force	\$ 31,725
Total	\$ 34,225
Accumulated Depreciation	
Account 301 - Organization	\$ 2,500
Account 352.1 - Collection Sewer - Force	
Total	\$ 2,500
Net Plant in Service	\$ 31,725
Contribution in Aid of Construction	
Account 301 - Organization	
Account 352.1 - Collection Sewer - Force	\$ 31,725
Total	\$ 31,725
Total Rate Base	\$ -

Water Rate Base as of June 30, 2017

Plant in Service	
Account 301 - Organization	\$ 2,500
Account 343 - Transmission & Distribution Mains	\$ 5,250
Account 346 - Meters	\$ 4,882
Total	\$ 12,632
Accumulated Depreciation	
Account 301 - Organization	\$ 2,500
Account 343 - Transmission & Distribution Mains	
Account 346 - Meters	\$ 4,842
Total	\$ 7,342
Net Plant in Service	\$ 5,290
Contribution in Aid of Construction	
Account 301 - Organization	
Account 343 - Transmission & Distribution Mains	\$ 5,250
Account 346 - Meters	
Total	\$ 5,250
Total Rate Base	\$ 40