

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

In the Matter of EMC of St. Charles County,)	
LLC for a Certificate of Convenience and)	
Necessity Authorizing it to Participate in the)	
Ownership, Operation, Maintenance,)	Case No. SA-2007-0373
Removal, Replacement, Control and)	
Management of a Sewer System in St.)	
Charles County, Missouri)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and hereby advises the Commission to GRANT the requested Certificate of Public Convenience and Necessity, subject to the following conditions:

1. The utility will exercise all practical efficiencies of scale and economy, such as but not limited to, combined monthly billing for sewer and water service. The water service remains unregulated through the homeowners' association and services are to be contractually provided by an affiliate of the utility.

2. The utility will maintain accurate and timely records, including time cards, for all employees performing tasks for the regulated sewer company. All possible employee time sharing between the sewer and water operations, as well as operations elsewhere in the vicinity of this service area, should be considered in an effort to reduce costs.

3. Within three months of the connection of the 100th house, or three years following the effective date of the order in this case, whichever occurs first, the utility will file an informal rate case under the Commission's established

procedures. This case will address the appropriate expenses and rates for service, as well as a capital cost recovery mechanism.

4. All facilities provided by the developer, in accordance with the Application in this case, shall be offset by recording a contribution that will be later offset by utility payments to the developer through a future cost recovery mechanism.

5. A signed operating agreement, consistent with an example that was provided to the Auditing Staff, between EMC and Environmental Management Corporation, will be executed prior to the time the utility begins providing service. This agreement will contain a written provision that allows the Staff of the Missouri Public Service Commission to have access to EMC's books and records to determine the reasonableness of the costs charged to EMC St. Charles.

6. A written signed agreement will be executed between EMC and any affiliate that provides service or charges costs to the utility. The agreement will contain a written provision that allows the Staff of the Missouri Public Service Commission to have access to the books and records of the affiliate to determine the reasonableness of the costs charged to the utility.

Based upon its analysis of the application and supporting information, Staff recommends that the Commission issue an order that:

1. Grants the Company's request for a Certificate of Convenience and Necessity to provide sewer service to the proposed service area;

2. Requires the Company to submit a new tariff for sewer service to be provided within the proposed service area;

3. Requires the Company to maintain its books and records in accordance with the Uniform System of Accounts, including maintaining accurate employee time cards and records of affiliates' payroll and other expenses necessary in performing tasks for the regulated sewer company at actual cost, and properly accounting for plant cost and depreciation as described in the Staff's conditions, above.

4. Requires the Company to file a rate case as recommended by the Staff's conditions, above.

5. Requires the Company to enter into operating agreements, or resource-sharing agreements, that are necessary and appropriate, as recommended by the Staff's conditions, above.

6. Recognizes that nothing in this recommendation or in any order issued by the Commission in this case shall bind the Commission on any ratemaking issue in any future rate proceeding. This includes the specific terms of the confidential contract between the utility and the developer, the inclusion in future rates of any cost resulting from this contract, and EMC's projected costs.

Staff further states that, after the Company submits tariff sheets, Staff will submit an additional recommendation regarding the approval of that tariff.

WHEREFORE, the Staff respectfully advises the Commission to grant the requested certificate, subject to the listed conditions, and to issue other orders as described above, all as described more fully in the attached memoranda, which are hereby made a part of this pleading by reference as though fully set out herein.

Respectfully Submitted,

/s/ Kevin A. Thompson

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Certificate of Service

I hereby certify that copies of this Motion have been mailed with first-class postage, hand-delivered, transmitted by facsimile, or transmitted via e-mail to all counsel and/or parties of record this **2nd day of November, 2007**.

/s/ Kevin A. Thompson