

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

In the Matter of the Application of Peaceful	)	
Valley Service Company Request for	)	<b><u>Case No. SR-2014-0153</u></b>
Increase in Sewer Operating Revenues	)	

**Reply to the Office of the Public Counsel's Response to Staff's Report**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and on behalf of itself files this *Reply to the Office of the Public Counsel's Response to Staff's Report* stating:

1. On September 5, 2014<sup>1</sup> the Office of the Public Counsel filed its Response to Staff's Report in which it made specific statements critical of Staff's Report.

2. Staff wishes to clarify certain statements it made in its Report which OPC took issue with and offer a response to specific statements made by OPC in its Response.

3. In paragraph 4 of its Response OPC states, "According to the DNR operating permit, the lagoon must meet ammonia limits by a certain timeframe - how it is to do so is not specifically dictated."<sup>2</sup> OPC is correct in stating that both DNR and the DNR-issued permit do not specifically require that the lagoon be either replaced with a treatment facility, or even substantially upgraded. When Staff stated in its Report that "the Company is required to build a new treatment facility to meet limits for ammonia discharge as prescribed and required by DNR,"<sup>3</sup> Staff was stating that based off of its review of the Engineering Report<sup>4</sup> along with its own observations and studies of the Peaceful Valley facilities, Staff had come to the conclusion that it was necessary for the

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<sup>1</sup> All dates refer to the year 2014 unless otherwise indicated.

<sup>2</sup> OPC Response to Staff Report p.2, ¶ 4.

<sup>3</sup> Staff Report p.2

<sup>4</sup> Attached as Appendix C to Staff's Report

Company to build a new treatment facility in order to meet the ammonia limits because the existing facilities could not meet the ammonia limits with only modifications to the existing equipment or its operation. While there is no specific requirement that Peaceful Valley build new treatment facilities, as a practical matter it is necessary for Peaceful Valley to build a new treatment facility to meet ammonia limits as its existing facility with modifications cannot meet the ammonia limits. To date, Staff has not taken a position on which of the solutions studied, if any, it would recommend for Peaceful Valley.

4. In paragraph 5 of its Response OPC states, "Staff does not report what the ammonia levels of the lagoon are now and does not provide verification that the present lagoon does not already meet the new requirements in the permit. Staff's Report also provides limited information on whether minor modifications to the existing equipment or operational changes could allow the lagoon to meet the future ammonia limits."<sup>5</sup> Contrary to OPC's statement, information pertaining to the ammonia levels discharged by the current facility is stated in the Engineering Report, which was attached to Staff's report as Appendix C. This information can be found in the Engineering Report as narratives on Pages 4 and 11, and in two tables on Page 9.

5. In paragraph 6 of its Response OPC states, "All Staff has been provided by Peaceful Valley is a preliminary engineering report which merely gives a recommended approach and a ball-park cost...Until actual design work has been completed in preparation for that construction permit filing, Peaceful Valley will have no idea of the true scope of the construction and no realistic estimate of the cost."<sup>6</sup> Staff disagrees with OPC's characterization of the Engineering Report and asserts that the

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<sup>5</sup> OPC Response to Staff Report ¶ 5.

<sup>6</sup> *Id.* At ¶ 6.

purpose of the Engineering Report is to present an idea of the true scope of what will be needed to address the current situation, and provide estimates of costs that are realistic enough to make a decision on what is the best course of action. It is true that final design work and costs are not available from the Engineering Report. The final design and costs will not be available until a project is selected, actually designed, and actually constructed. It is not practical to determine final designs and costs on this project, nor any other major construction project. Preliminary engineering reports that study a situation and present alternatives are conducted in order to give decision makers information so that they can make a decision on what is the best course of action while not incurring the expense of having final design and costs determined for multiple alternative projects.

6. In paragraph 7 of its Response OPC states, "Staff states that the engineering firm has proposed a solution to the Company with an estimated capital cost of \$1,114,880. However, Staff discusses other feasible options proposed in the preliminary engineering report. Public Counsel fears that some of these options may have been prematurely dismissed." While the cost estimates are described in detail in the Engineering Report, a quick cost comparison shows that the engineering firm's proposed solution of constructing a bio-filter system is the least cost option of the solutions studied that will address the ammonia limits.<sup>7</sup>

7. In paragraph 8 of its Response OPC states, "Public Counsel would suggest that Peaceful Valley take the initiative to actively determine how adverse the neighbor is to selling or whether there may be a price at which the neighbor would sell. When faced with spending \$1 million or more on a whole new plant, it would be in the

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<sup>7</sup> Engineering Report, p.25

utility and its customers' best interest if extended negotiations with the adjacent landowner would be thoroughly explored before these other options are disregarded."<sup>8</sup> Staff would like to simply point out that based off the analysis provided in the Engineering Report the land application alternative is the most costly option that Peaceful Valley could pursue regardless of whether or not the adjacent property owner is willing to sell his land.

8. Staff, by submitting its *Report* and the attachments, complied with the Commission's Order by presenting available technical information, and discussing financial information and events. Staff also offered other alternative treatment ideas, and alternative financing ideas in order to convey information that was not in the Engineering Report. Staff asserts that contrary to OPC's statements in its *Response to the Staff Report* the Engineering Report contains valid and useful information and is a document that Peaceful Valley can rely on for direction on what is the most cost effective means of addressing the issue of ammonia limits. To date, Staff has not taken a position on which of the solutions studied, if any, it would recommend for Peaceful Valley.

**WHEREFORE**, the Staff respectfully submits its *Reply to the Office of the Public Counsel's Response to Staff's Report*.

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<sup>8</sup> OPC Response to Staff Report ¶ 8.

Respectfully submitted,

/s/ Alexander Antal

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### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, **on this 15th Day of September, 2014.**

/s/ Alexander Antal