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May 1, 2001

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Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. WA-2001-53

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RESPONSE AND STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Cliff E. Snodgrass
Senior Counsel
(573) 751-3966
(573) 751-9285 (Fax)

CES:sw
Enclosure
cc: Counsel of Record

FILED²
MAY 1 2001
Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

MAY 1 2001

Missouri Public
Service Commission

In the Matter of the Application of Foxfire)
Utility Company for a Certificate of)
Convenience and Necessity Authorizing it)
to Construct, Install, Own, Operate,)
Control, Manage and Maintain a Water)
System for the Public in an)
Unincorporated Area of Benton County,)
Missouri.)

Case No. WA-2001-53
Tariff File No. 2001 01076

STAFF RESPONSE AND STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) by and through one of its attorneys, and for its Recommendation states:

1. On July 26, 2000, Foxfire Utility Company (Foxfire) submitted an Application for a Certificate of Convenience and Necessity (CCN) to serve an unincorporated area of Benton County, Missouri.

2. On April 17, 2001 Foxfire was granted a CCN by the Commission (Order). On April 19, 2001, Foxfire filed a motion requesting approval of its tariff sheets with less than a thirty-day effective date. The Commission reopened the case, and directed the Staff to file a response indicating when the Staff could review the proposed tariff sheets, and when its Recommendation could be filed. Staff is filing its Response/ Recommendation herein.

3. Staff has reviewed the tariff filing submitted by Foxfire and in Staff's opinion, the tariff sheets comply with the Order and properly incorporate the rates, charges and the service boundary that was approved by the Commission. Staff's review of the tariff is summarized in a Memorandum that is attached to this Recommendation, marked as Appendix A, and incorporated by reference herein.

WHEREFORE, based upon the foregoing, the Staff recommends the following:

A. That the Commission enter an Order approving the subject tariff, which is identified as set out below, for service rendered on or after May 19, 2001.

PSC MO No. 1 1st Revised Sheet No. W1, a revised cover sheet to reflect additional pages and the additional service area.

PSC MO No. 1 1st Revised Sheet No. W2, a revised index to reflect additional pages and the additional service area.

PSC MO No. 1 Original Sheet No. WM2, a map of the additional service area authorized in this case.

PSC MO No. 1 Original Sheet No. WL3, a metes and bounds description of the additional service area authorized in this case.

PSC MO No. 1 Original Sheet No. WR2, monthly rates for water service as authorized in this case.

PSC MO No. 1 1st Revised Sheet No. WSCI, a revised schedule of service charges to include a connection charge similar to Foxfire's existing connection charge, except excluding the cost of a water meter.

PSC MO No. 1 Original Sheet No. WRR A, an "Applicability of Rules" page, the purpose of which is to adopt Foxfire's remaining rules, presently noted on each tariff sheet as applicable to its Stone County service area, for the Benton County service area.

Respectfully submitted,

DANA K. JOYCE
General Counsel


Cliff Snodgrass
Senior Counsel
Missouri Bar No. 52302

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 1st day of May, 2001



MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WA-2001-53 Tariff File No. 2001 01076
Foxfire Utility Company

FROM: Dale Johansen -- Project Coordinator
Jim Merciel -- Water & Sewer Department

Dale Johansen 5/01/01
Project Coordinator/Date

[Signature] 5-1-01
General Counsel's Office/Date

SUBJECT: Staff's Recommendation for Approval of Tariff Sheets on Less than Thirty-Day Notice; and Supplemental Information Regarding the Staff's Recommendation in this Case

DATE: May 1, 2001

Tariff Filing

On April 19, 2001, Foxfire Utility Company (Foxfire) filed revised tariff sheets to comply with the Commission's Order Granting Certificate of Public Convenience and Necessity (Order) that was issued on April 17, 2001 and effective April 27, 2001. The Certificate is for Foxfire's Benton County service area.

The tariff filing consists of the following tariff sheets:

PSC MO No. 1 1st Revised Sheet No. W1, a revised cover sheet to reflect additional pages and the additional service area.

PSC MO No. 1 1st Revised Sheet No. W2, a revised index to reflect additional pages and the additional service area.

PSC MO No. 1 Original Sheet No. WM2, a map of the additional service area authorized in this case.

PSC MO No. 1 Original Sheet No. WL3, a metes and bounds description of the additional service area authorized in this case.

PSC MO No. 1 Original Sheet No. WR2, monthly rates for water service as authorized in this case.

PSC MO No. 1 1st Revised Sheet No. WSC1, a revised schedule of service charges to include a connection charge similar to Foxfire's existing connection charge, except excluding the cost of a water meter.

PSC MO No. 1 Original Sheet No. WRR A, an "Applicability of Rules" page, the purpose of which is to adopt Foxfire's remaining rules, presently noted on each tariff sheet as applicable to its Stone County service area, for the Benton County service area.

The Staff has reviewed the above-referenced tariff sheets and is of the opinion that they are proper and comply with Ordered: 3 of the Commission's Order.

Although the proposed tariff sheets were filed with the required 30-day notice (they bear an effective date of May 19, 2001), Foxfire has filed a motion requesting Commission approval earlier than May 19, 2001. The Staff does not oppose approval on less than 30-day notice because Foxfire is presently operating the water system without the ability to charge the customers receiving water service. Earlier approval would permit Foxfire to begin charging customers as soon as practical.

Supplemental Information to the Staff's Recommendation

The Staff is offering additional comments on two issues, that of system capacity and customer metering, and notice to customers regarding the certification of Foxfire.

As stated in the Staff's Recommendation Memorandum filed in this case on April 5, 2001, this water system has no customer meters, and no master meters at any of the three (3) non-approved wells. The Staff does, generally, encourage the use of water meters. However, in this case the Staff did not specifically recommend a meter installation program be undertaken because of economics and priorities for other improvements to be made. Foxfire is contemplating constructing a new state-approved well, an adequately sized storage tank, and improvements to the distribution system. Although these improvements arguably could be considered to be absolutely necessary in order to meet minimal requirements of a public water system, the capital costs would be quite substantial. Preliminary estimates indicate the capital cost could exceed \$2,500 per customer, which could result in a rate increase exceeding \$35 per month. Water meters for each customer could add an additional capital cost of approximately \$350 per customer, resulting in a rate impact of approximately \$6 per month. These rate impacts would be in addition to the monthly rate of \$22.28 that was approved in this case.

Before Foxfire undertakes construction of improvements such as these, and before the Staff wishes to specifically recommend any program that results in rate increases of this magnitude, it is both desirable and necessary for Foxfire to provide information to the customers, and receive input as to whether or not customers really want the water system improvements and are willing to pay the rates required to support the improvements. Many existing customers, particularly part-time customers

with recreational property, may have the attitude that the water system is fine the way it exists, and would disconnect if they believe rates become unaffordable. For this reason, the Staff did not wish to make any recommendations for requiring any improvements until the impact is further studied and presented to the customers. The Staff also is of the opinion, based on experience in working with Foxfire's management, that it is likely that Foxfire will undertake reasonable levels of improvements on its own without the need for orders to do so.

Regarding notice to customers, Foxfire has informed the Staff that a notice was sent to customers when Foxfire entered into the contract to acquire this system, which was before Foxfire filed the subject Application with the Commission. The Staff received an e-mail message from one customer inquiring about Foxfire, with that message received before Foxfire filed its Application. The Staff thus concludes from this that at least some people in the service area knew about the change in the ownership of the system.

In addition, Foxfire has stated to the Staff that it is drafting another notice to be sent to customers when it formally begins operation as a regulated utility in this area.

**Service List for
Case No. WA-2001-53
Revised: May 1, 2001 (SW)**

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