

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SO-2008-0094
Savannah Heights Industrial Treatment, Inc.

FROM: James Merciel – Water and Sewer Department

<u>/s/ Natelle Dietrich</u>	<u>11/27/07</u>
Director – Utility Operations Division	Date
<u>/s/ Kevin A. Thompson</u>	<u>11/27/07</u>
General Counsel's Office	Date

SUBJECT: Staff's Recommendation for Approval of Transfer of Assets and Cancellation of Certificate of Convenience and Necessity

DATE: November 27, 2007

BACKGROUND

On October 1, 2007 (unless noted otherwise, all dates herein refer to the year 2007), Savannah Heights Industrial Treatment, Inc. (Savannah or Company) filed an Application with the Commission, seeking to sell and transfer its sewer utility assets to Table Rock Lake Community Service, Inc. d/b/a Table Rock Lake Water Quality, Inc. (TRLCS), which in turn will immediately transfer the assets to Ozarks Clean Water Company (OCWC). Then, after the transfer is accomplished, to cancel Savannah's Certificate of Convenience and Necessity (Certificate) and its current tariff to provide sewer service, thereby relieving it of its obligation to provide sewer service in its service area.

On October 10 the Commission issued its **Order Directing Notice and Joining Parties**, in which it joined TRLCS and OCWC as parties to the case, ordered notice to be sent to state and local officials and the news media, and set October 30 as the date by which others should file an application to intervene and by which parties should request a hearing in this matter. As of the date of this memorandum, no parties have sought to intervene and no parties have requested a hearing.

On November 5 the Commission issued its **Order Directing Staff to File a Recommendation**, in which it ordered the Staff to file its recommendation by December 5. This memorandum is intended to comply with this order.

DESCRIPTION OF SERVICE AREA, AND THE INVOLVED PARTIES

The Commission granted a Certificate to Savannah in Case No. SA-98-294, by an order effective on September 29, 1998. Its service area is a development known as Savannah Place, which is

located a few miles north of Branson in Taney County. Savannah has approximately 112 sewer customers, as reported in its annual report for 2006. The sewer system consists of gravity collecting sewers, pressure collecting sewers used with customer-owned pump units, a lift station and a sewage treatment facility.

OCWC, proposed to be the owner and operator of the sewer system, is a Member Non-Profit corporation in good standing. It was created in 2004 under Chapter 355 RSMo, and organized as a nonprofit sewer utility within the provisions of Sections 393.825 to 393.861. Its Articles of Incorporation are available for review on the MO Secretary of State's website, and the by-laws are published and available for review on OCWC's website, <http://www.trlwq.org/ocwc>. After a review of these documents, the Staff believes that OCWC is legitimately created and is operating as a nonprofit sewer utility under state statutes, and as such is not subject to regulation by the Commission. The Staff, though not familiar specifically with OCWC's operations, is familiar with one of the organizers of OCWC. This person has been involved for a number of years with other regulated water and sewer utilities, either as an owner or contract operator, including plant operations responsibilities with Savannah. The Staff also contacted the Missouri Department of Natural Resources (DNR) Southwest Regional Office, which reports no major or unusual problems with OCWC's operations. For these reasons, the Staff believes that OCWC is capable of providing good service to the involved customers, and in fact from an operations standpoint the transition should be very smooth considering that there will not be a major change in plant operations personnel.

ADDITIONAL MATTERS

The Company has no delinquencies with regard to filing its annual reports and paying annual assessments. This is based on a review of the Commission's Adjudication Division annual assessments records covering fiscal year 2000 through the second quarter of fiscal year 2008, a review of the Commission's Electronic Filing and Information System (EFIS) annual report records covering calendar years 2002 through 2006, and a review of the Commission's Data Center records on annual report filings that go back to before 1998, the first year Savannah was required to file. The Company does not have any compliance-related issues involving the Missouri Department of Natural Resources. Also, the Company is presently in good standing with the Missouri Secretary of State. Jim Merciel conducted the review of the above issues.

STAFF'S FINDINGS & CONCLUSIONS

The Staff, based on its review as herein described, believes that the proposed sale and transfer of assets is not detrimental to the public interest, and therefore recommends approval. The "Agreement for Sale of Sewer System," between Savannah and TRLCS, contemplates obtaining approval from regulatory authorities by December 15. The Staff is of the understanding, based on the Application and its review of the proposal, that TRLCS will, in turn, transfer the assets to OCWC essentially immediately.

After approval of this transfer of assets is granted by the Commission, and then after the transfer to OCWC is finally completed, then the Commission should cancel the Certificate and tariff for Savannah.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order that:

1. Grants Savannah the authority to transfer its assets and cease providing service, as requested;
2. Makes no ratemaking determination regarding any potential future regulatory oversight, if any;
3. Requires the parties to submit notice to the Commission regarding evidence of the transfer of assets to TRLCS and then a transfer to OCWC within three (3) business days after the transfer to OCWC; and,
4. That after the above notice of transfer is received, the Certificate held by, and tariff on file for, Savannah, be canceled.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES A. MERCIEL, JR.

STATE OF MISSOURI

)

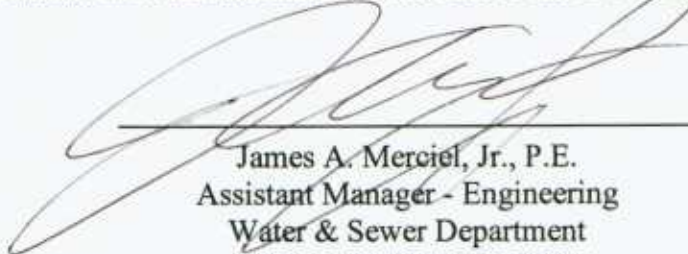
) ss

Case No. SO-2008-0094

COUNTY OF CALLAWAY

)

James A. Merciel, Jr., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Memorandum*; (3) that he has knowledge of the matters set forth in the foregoing *Memorandum*; and (4) that the matters set forth in the foregoing *Memorandum* are true and correct to the best of his knowledge, information and belief.


James A. Merciel, Jr., P.E.
Assistant Manager - Engineering
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 27th day of November 2007.


Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086