

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of April, 2017.

In the Matter of Missouri-American Water Company for)
Certificates of Convenience and Necessity Authorizing)
It to Install, Own, Acquire, Construct, Operate, Control,) **File No. WA-2017-0181**
Manage and Maintain Water and Sewer Systems in and)
Around the Village of Wardsville, Missouri)

**ORDER GRANTING CERTIFICATE OF
CONVENIENCE AND NECESSITY**

Issue Date: April 13, 2017

Effective Date: May 13, 2017

On December 19, 2016, Missouri-American Water Company (“MAWC”) filed applications with the Missouri Public Service Commission (“Commission”) requesting that the Commission grant it a certificate of convenience and necessity to install, own, acquire, construct, operate, control, manage, and maintain water and sewer systems in and around the Village of Wardsville, in Cole County, Missouri. The two application cases were consolidated into the current case. The requested certificate would allow MAWC to provide water and sewer service to most of Wardsville and some of the surrounding area. MAWC also intends to acquire the water and sewer utility assets that are presently owned and operated as a municipal utility by Wardsville.

The Commission issued notice and set a deadline for intervention requests, but no requests were made. On March 13, 2017, Staff filed its recommendation to approve the transfer of assets and grant a certificate, subject to 17 conditions listed in its pleading. Additionally, Staff noted that MAWC currently has authority to provide sewer

service that includes the Wardsville area.¹ Thus, Staff opines that MAWC does not need a certificate for sewer service. However, MAWC has requested authority to charge sewer rates that are different than its current approved rates that apply to the Wardsville area. MAWC requests to continue to charge the sewer rates that the customers currently are paying. These rates are based on water usage.

Staff also indicated that there was not sufficient information to determine whether the purchase price was above or below the net book value of the Wardsville assets. On March 23, 2017, OPC filed a motion requesting that the Commission direct MAWC to file a statement indicating what its position was with regard to the treatment of an acquisition premium, if any, in this case.

On March 23, 2017, MAWC filed its response to Staff and OPC. MAWC indicated that it had no objection to Staff's recommendations. With regard to OPC's motion, MAWC stated that it would "not seek to recover an acquisition premium if any exists associated with this acquisition."²

No other party has objected to the applications or Staff's recommendation. Thus, the Commission will rule upon the application. No party has requested an evidentiary hearing, and no law requires one.³ Therefore, this action is not a contested case,⁴ and the Commission need not separately state its findings of fact.

¹ The Commission granted the service area that includes most of Cole County, including the Wardsville area, to Capital Utilities, Inc. in Case No. SA-92-195. AquaSource/CU, Inc. merged with Capital Utilities, Inc. as approved in Case No. WM-99-238. AquaSource/CU, Inc. transferred assets and the service area to AquaMissouri, Inc. as approved in Case No. WN-2004-0285. AquaMissouri, Inc. transferred assets and the service area to MAWC as approved in Case No. WO-2011-0168.

² *Response to Staff Recommendation and OPC Motion*, Case No. WA-2017-0181 (filed March 23, 2017).

³ *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

⁴ Section 536.010(4), RSMo.

The Commission may grant a water corporation a certificate of convenience and necessity to operate after determining that the construction and operation are either “necessary or convenient for the public service.”⁵ The Commission articulated the specific criteria to be used when evaluating applications for utility certificates of convenience and necessity in the case *In Re Intercon Gas, Inc.*, 30 Mo P.S.C. (N.S.) 554, 561 (1991). The *Intercon* case combined the standards used in several similar certificate cases, and set forth the following criteria: (1) there must be a need for the service; (2) the applicant must be qualified to provide the proposed service; (3) the applicant must have the financial ability to provide the service; (4) the applicant's proposal must be economically feasible; and (5) the service must promote the public interest.⁶

Based on the verified applications and Staff's recommendations, the Commission concludes that the factors for granting a certificate of convenience and necessity to MAWC have been satisfied and that it is in the public's interest for MAWC to provide water service to the customers currently being served by Wardsville. Further, the Commission finds that MAWC possesses adequate technical, managerial, and financial capacity to operate the water and sewer system it wishes to purchase from Wardsville. Thus, the Commission will authorize the transfer of assets and grant MAWC the certificate of convenience and necessity to provide water and sewer service within the proposed service area, subject to the conditions described by Staff above and MAWC's statement that it will not seek to recover an acquisition premium if one exists.

⁵ Section 393.170.3, RSMo.

⁶ The factors have also been referred to as the “Tartan Factors” or the “Tartan Energy Criteria.” See Report and Order, *In re Application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a Certificate of Convenience and Necessity*, Case No. GA-94-127, 3 Mo. P.S.C. 3d 173 (September 16, 1994), 1994 WL 762882, *3 (Mo. P.S.C.).

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company is granted a certificate of convenience and necessity to provide water and sewer service in and around the Village of Wardsville as more particularly described in the Application, subject to the conditions and requirements contained in Staff's Recommendation, including the filing of tariffs, as set out below:

- a. Missouri-American Water Company shall apply the existing Wardsville water rates to customers within that area;
- b. Missouri-American Water Company shall apply the current Wardsville sewer rates, applicable to existing and future customers in Missouri-American Water Company's existing Cole/Callaway sewer service area who are or will be connected to any of the acquired Wardsville sewer systems;
- c. Missouri-American Water Company shall submit tariff sheets to become effective before closing on the assets that include a service area map, a service area written description, and water rates applicable to water service in its Wardsville service area. These water rates should be included among the "District 1" rate pages of Missouri-American Water Company's EFIS water tariff, P.S.C. MO No. 13;
- d. Missouri-American Water Company shall submit tariff sheets for sewer rates to become effective before closing on the assets and applicable to customers connected to the Wardsville sewer systems into Missouri-American Water Company's sewer tariff, P.S.C. MO No. 10. These tariff sheets should apply to sewer service in Missouri-American Water Company's Cole/Callaway sewer service area or into a new consolidated sewer tariff that may be filed by Missouri-American Water Company and become effective that will have replaced Missouri-American Water Company's current tariff, P.S.C. MO No. 10;
- e. Missouri-American Water Company shall notify the Commission of closing on the assets within five days after such closing;
- f. If the closing on the water and sewer system assets does not take place within 30 days following the effective date of the Commission's order approving such, Missouri-American Water

Company shall submit a status report within five days after this 30-day period regarding the status of closing and additional status reports within five days after each additional 30-day period until closing takes place, or until Missouri-American Water Company determines that the transfer of the assets will not occur;

- g. If Missouri-American Water Company determines that a transfer of the assets will not occur, it shall notify the Commission no later than the date of the next status report, as addressed above, after such determination is made. In addition, Missouri-American Water Company shall submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the Wardsville area in its water tariff and rate sheets applicable to customers in the Wardsville area in both the water and sewer tariffs;
- h. Missouri-American Water Company shall keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- i. Missouri-American Water Company shall provide an example of its actual communication with the Wardsville service area customers regarding its acquisition and operations of the Wardsville water and sewer system assets, and how customers may reach Missouri-American Water Company, within ten days after closing on the assets;
- j. Missouri-American Water Company shall obtain from Wardsville, as best as possible prior to or at closing, all records and documents, including but not limited to all plant-in-service original cost documentation, depreciation reserve balances, documentation of contributions-in-aid-of-construction (CIAC) transactions, and any capital recovery transactions;
- k. Missouri-American Water Company shall provide in its next general rate case an analysis documenting its proposed rate base values for Wardsville assets, including an appropriate offset for associated CIAC;
- l. The Commission specifically makes no finding that would preclude it from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the certificate of convenience and necessity to Missouri-American Water Company, including expenditures related to the certificated service area, in any later proceeding;

- m. Missouri-American Water Company shall ensure adherence to Commission Rules at 4 CSR-13 with respect to Wardsville customers;
- n. Missouri-American Water Company shall include the Wardsville customers in its established monthly reporting to the Staff Consumer & Management Analysis Unit (CMAU) on customer service and billing issues;
- o. Missouri-American Water Company shall distribute to the Wardsville customers an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its sewer service, consistent with the requirements of Commission Rules at 4 CSR 240-13, within ten days of closing on the assets;
- p. Missouri-American Water Company shall provide adequate training for the correct application of rates and rules, including sewer charges, to all customer service representatives prior to Wardsville customers receiving their first bill from Missouri-American Water Company; and,
- q. Missouri-American Water Company shall provide to the CMAU staff a sample of ten billing statements from the first month's billing within 30 days of such billing.

2. Missouri-American Water Company is authorized to acquire the assets of the Village of Wardsville identified in the applications.

3. Missouri-American Water Company is authorized to take such other actions as may be deemed necessary and appropriate to consummate the transactions proposed in the applications.

4. This order shall become effective on May 13, 2017.



BY THE COMMISSION

Morris L. Woodruff

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Dippell, Senior Regular Law Judge

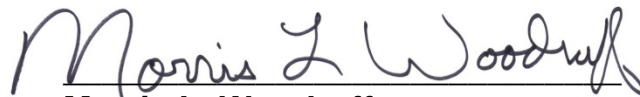
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission,
at Jefferson City, Missouri, this 13th day of April 2017.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

April 13, 2017

File/Case No. WA-2017-0181

**Missouri Public Service
Commission**

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.