BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water Company's Application for a Certificate of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Sewer System in and around the City of Hallsville, Missouri	)))))))	**File No. SA-2021-0017**

ORDER DIRECTING FILING

Issue Date: May 11, 2021 Effective Date: May 11, 2021

On April 8, 2021, the Commission conducted an evidentiary hearing in the matter of the application of Missouri-American Water Company (MAWC) for a certificate of convenience and necessity to install, own, acquire, construct, operate, control, manage, and maintain a sewer system in and around Hallsville, Missouri. MAWC's application seeks Commission authority to acquire the City of Hallsville sewer system. Boone County Regional Sewer District, the Staff of the Commission (Staff), and the Office of the Public Counsel are also parties.

On April 23, 2021, the Commission directed MAWC to file appropriate documentation to confirm the status of and describe any new rate structure in place or expected to be adopted by the City of Hallsville sewer system. The Commission also directed Staff to file a supplemental recommendation addressing whether a new Hallsville rate structure, if any, results in any changes to Staff's recommendation.

On April 28, 2021, MAWC filed a copy of Hallsville Ordinance No. 384, describing a new rate structure effective April 12, 2021. On May 10, 2021, Staff filed a supplemental recommendation, with three additional documents attached. The Commission has

marked the copy of the Hallsville Ordinance No. 384 as Exhibit No. 308. The Commission has marked Staff's supplemental response as Exhibit No. 309. Both exhibits are attached to this order.

The Commission will establish a deadline for any objections to admission on the record of Exhibit Nos. 308 and 309.

THE COMMISSION ORDERS THAT:

1. Any objection to admission on the record of the attached documents, marked as Exhibit No. 308 and Exhibit No. 309, shall be filed no later than May 25, 2021.

2. This order shall be effective when issued.

BY THE COMMISSION

Morris L. Woodruff
Secretary

Jana C. Jacobs, Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo (2016).

Dated at Jefferson City, Missouri,
on this 11th day of May, 2021.

Exhibit No. 308

File No. SA-2021-0017

BILL NO. 2021-2 ORDINANCE NO. 384

AN ORDINANCE REPEALING SECTION 710.140 (G) AND REPEALING AND REPLACING SECTIONS 710.140 (A), (B), AND (C) (SEWER) USER RATE CHARGES AND SECTION 710.150 (B) SEWER USAGE OUTSIDE CITY LIMITS.

WHEREAS, the City of Hallsville intends for its sewer system and other public utilities to be self-funded, the City of Hallsville finds it necessary to increase sewer rates to fund the City's sanitary sewer system and its improvements.

NOW THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF HALLSVILLE, MISSOURI AS FOLLOWS:

1. SECTION 710.140 (A) USER RATE CHARGES IS HEREBY REPEALED AND REPLACED WITH NEW SECTION 710.140 (A) AS FOLLOWS: Each user shall pay for the services provided by the City based on a flat-rate depending on which one of three categories a user belongs: 1) residential; 2) low usage commercial, public authority, and industrial, or 3) high usage commercial, public authority, and industrial.

2. SECTION 710.140 (B) USER RATE CHARGES IS HEREBY REPEALED AND REPLACED WITH NEW SECTION 710.140 (B) AS FOLLOWS: Low usage commercial, public authority, and industrial customers are customers that use less than 12,500 gallons per month. High usage commercial, public authority, and industrial customers are customers that use more than 12,500 gallons per month based on average yearly water usage for the year immediately preceding. If a customer has no months of usage for the year immediately preceding, his/her monthly charge shall be based on water used during the current month. If a customer uses water which is not returned to the wastewater collection system, the user charge for that contributor may be based on a wastewater meter(s) or separate water meter(s) installed and maintained at the customer's expense and in a manner acceptable to the City.

3. SECTION 710.140 (C) USER RATE CHARGES IS HEREBY REPEALED AND REPLACED WITH NEW SECTION 710.140(C) AS FOLLOWS: The flat sewer charge per billing period for residential customers shall be thirty-eight dollars and seventy-five cents ($38.75). The flat sewer charge per billing period for low usage commercial, public authority, and industrial customers (less than 12,500 gallons per month) shall be forty-eight dollars and seventy-five cents ($48.75). The flat sewer rate charge per billing period for high usage commercial, public authority, and industrial customers (more than 12,500 gallons per month) shall be one hundred and fifty-nine dollars and seventy-five cents ($159.75). The charges shall be revised from time to time in accordance with Section 710.180.

4. SECTION 710.140 (G) USER RATE CHARGES IS HEREBY REPEALED.

5. SECTION 710.150 (B) SEWER USAGE OUTSIDE CITY LIMITS IS HEREBY REPEALED AND REPLACED WITH NEW SECTION 710.155 (B) AS FOLLOWS: The flat sewer charge per billing period for residential customers outside the City limits of Hallsville shall be forty-three dollars and seventy-five cents ($43.75), low usage commercial, public authority, and industrial customers (less than 12,500 gallons per month) shall be fifty-three dollars and seventy-five cents ($53.75), and high usage commercial, public authority, and industrial customers (more than 12,500 gallons per month) shall be one hundred sixty-four dollars and seventy-five cents ($164.75). The charges shall be

revised from time to time in accordance with Section 710.180. If the water used at such location is not furnished and metered by the City, City may require the user to install a metering system acceptable to the City and provide monthly readings to the City for billing purposes. Agents of the City shall be permitted upon the user's premises to inspect, verify, and ensure compliance with this Section by the user at any reasonable time.

6. THIS ORDINANCE SHALL BECOME EFFECTIVE FROM AND AFTER ITS DATE OF PASSAGE AND APPROVAL.

7. READ TWO TIMES AND PASSED THIS 12th DAY OF APRIL, 2021.

Logan Carter, Mayor

ATTEST:

Kenyetta Ridgway-Sample, City Administrator/City Clerk

Exhibit No. 309

File No. SA-2021-0017

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water Company's Application for a Certificate Of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Sewer System in and around the City of Hallsville, Missouri	)))))))	**File No. SA-2021-0017**

SUPPLEMENTAL RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its *Supplemental Recommendation*, states as follows:

1. On April 8, 2021, the Commission held an evidentiary hearing in the matter of Missouri-American Water Company's ("MAWC") Application requesting a Certificate of Convenience and Necessity ("CCN") to install, own, acquire, construct, operate, control, manage, and maintain a sewer system in and around the City of Hallsville, Missouri ("City"), as an addition to MAWC's existing service territories.

2. During the hearing, the Commission heard testimony concerning the City's current volumetric rates, based on water usage, of $19.35 for the first 1,000 gallons, with an additional charge of $5 for every additional 1,000 gallons. MAWC proposed to adopt these rates in its Application.

3. However, the feasibility study attached to MAWC's Application specified a different rate, which was a flat charge of $38.75 for residential customers.

4. MAWC witness Matthew Horan testified that the Application incorrectly stated that MAWC was going to adopt the current City rate, and that MAWC always intended to move to the

flat charge of $38.75.[1] Mr. Horan further clarified that the $38.75 flat charge was the current rate MAWC charged small sewer systems outside of the City of Arnold, per its Commission-approved tariffs.[2]

5. In addition to including the flat rates in its feasibility study, Mr. Horan also clarified that MAWC advertised the flat rate of $38.75 to the voters of the City prior to the vote to sell the sewer system on November 5, 2019.[3] Those advertisements are attached hereto as Appendix A.

6. The Commission heard testimony from Mayor Logan Carter that flat rates of (1) $38.75 for residential, (2) $43.75 for commercial, and (3) $164.75 for high commercial[4] were to be subject to approval by the City, via vote by its Board of Alderman, on April 12, 2021.[5] Mayor Carter also confirmed that MAWC had always promoted the flat rate of $38.75 as its intended rate.[6]

7. When questioned about the difference between the two rates, Staff witness James Busch testified that Staff had no problem with either rate.[7] Mr. Busch also testified that:

> [S]ince its volumetric rate that is currently in effect for the City of Hallsville, for Missouri-American to do a feasibility study they would have to come up some level of monthly income. So based upon what the current rates are for Hallsville, like I said, if a customer uses 4,000 gallons it's right around $34. If they use 5,000, it's around $39. So 38.75 is probably a good proxy as an average for all those customers for the feasibility study instead of having different rates, or different monthly rates for the citizens.[8]

[1] Transcript Vol. II, pg. 81, ln. 15-18.
[2] *Id*, ln. 20-22. See also Exhibit No. 300, pg. 4.
[3] *Id*, pg. 96, ln.
[4] *Id*, pg. 106, ln. 17-21.
[5] *Id*, pg. 107, ln. ln. 3-7.
[6] *Id*, pg. 121-122, ln. 20-25 and ln. 1-6. See also Exhibit No. 305, pg. 6.
[7] *Id*, pg. 144, ln. 11-13.
[8] *Id*, pg. 145, ln. 12-21.

8. Upon hearing that the City system received water from Public Water District No. 4, Mr. Busch added "that going with a flat 38.75 might be better because it may be more difficult for Missouri-American to obtain the water readings from the water District."[9]

9. On April 23, 2021, the Commission issued its *Order Directing Filing and Suspending Briefing Schedule*, ordering (1) MAWC to file documentation confirming the status of and description of any new rate structure in place or to be adopted by the City no later than April 30, 2021, and (2) ordering Staff to file a supplement to its recommendation concerning the flat rate structure no later than May 10, 2021.

10. MAWC filed City Ordinance No. 384 (Bill No. 2021-2), passed and effective on April 12, 2021, showing the new flat rate of:

a. $38.75 for residential customers within the city limits;

b. $43.75 for residential customers outside the city limits;

c. $48.75 for low usage commercial, public authority, and industrial customers within the city limits (use less than 12,500 gallons per month);

d. $53.75 for low usage commercial, public authority, and industrial customers outside the city limits;

e. $159.75 for high usage commercial, public authority, and industrial customers within the city limits (use more than 12,500 gallons per month); and

f. $164.75 for high usage commercial, public authority, and industrial customers outside the city limits.

11. When conducting its review of MAWC's Application, auditing Staff had already evaluated the transaction and feasibility of the flat rate of $38.75 outlined in the feasibility study.

[9] *Id*, pg. 151, ln. 11-16.

In its Recommendation, Staff notes that the pre-existing City rates cited in the Application would likely change in MAWC's next general rate case, and were therefore irrelevant to the long-term economic feasibility of the acquisition.[10] MAWC utilized the $38.75 flat rate to project the net income of the existing City system under MAWC's cost structure, and Staff made a determination based on those assumptions and figures.[11]

12. Further, in *Missouri-American's Response to Staff's Recommendation*, filed on December 4, 2020, MAWC indicated that, "Provision for the possibility of flat rate billing may need to be made in the resulting tariff to address any situation where Missouri-American is unable to obtain the referenced meter reads."[12] As noted during the evidentiary hearing and in this pleading, MAWC would have to obtain these reads from Public Water District No. 4.

13. Thus, the City approval of the flat rate structure, resulting in rates similar to those under the volumetric model prior to April 12, 2021, does not alter Staff's ultimate recommendation to approve MAWC's Application at this time.

WHEREFORE, Staff respectfully submits this *Supplemental Report* for the Commission's information and consideration.

[10] Exhibit No. 100, Schedule JABd-2, pg. 13.
[11] Exhibit No. 1C, Schedule mh-4C. See also *Application, and Motion for Waiver*, Appendix e-c.
[12] *Missouri-American's Response to Staff's Recommendation*, pg. 2, para. 5.

Respectfully submitted,

/s/ Travis J. Pringle
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Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and/or counsel of record on this 10th day of May 2021.

/s/ Travis J. Pringle

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OF THE STATE OF MISSOURI

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AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW James A. Busch, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Supplemental Recommendation;* and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ *James A. Busch*
James A. Busch

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Missouri-American Water Company's Application for a Certificate of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Sewer System in and around the City of Hallsville, Missouri	))))))))	**File No. SA-2021-0017**

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW Matthew R. Young, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Supplemental Recommendation;* and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ *Matthew R. Young*
Matthew R. Young

On Tuesday, November 5th Hallsville voters will be asked:

Shall the wastewater (sewer) utility owned by the City of Hallsville, Missouri, be sold?

On November 5th, vote **YES** to permit the Hallsville City Council to sell the city's wastewater system if it is in the best interest of city residents.

The rising cost of providing quality sewer service, while keeping up with growing infrastructure needs and EPA regulations, is becoming a financial challenge for Hallsville. The city is facing **$3.3 million in needed improvements** to bring the system back into regulatory compliance.

- Selling the system will require the new owner to **make investments** to prevent the release of raw sewage, in violation of regulations.
- **Keep sewer rates as low as possible** while making necessary upgrades to the system.
- Proceeds from a sale would **pay off the city's $1.5 million wastewater debt**, and the remainder will be used to accomplish the priorities of the city.

Vote YES for Low Rates on Tuesday, November 5th

Paid for by Clean Water Healthy Communities PAC Brian Werner, Treasurer

If the city council decides to sell the sewer system, **Missouri American Water (MAW)** is interested in purchasing the system and becoming your wastewater utility. MAW has the expertise to bring the system into regulatory compliance and keep rates low.

Take a look at what other cities have to say about their relationship with Missouri American Water!



Carrie Tergin
Mayor, Jefferson City

"We've had excellent service for many years, and Missouri American Water has been very reliable. It's good to know they're a company that you can work with and communicate with and that they will continue to reinvest in the system and in your community."

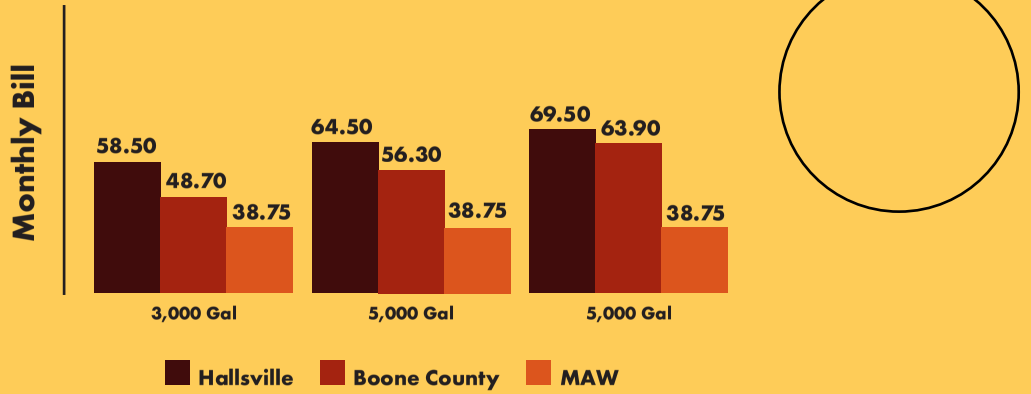


Matt Nolker
City Administrator, Lawson

"Since the transition to Missouri American Water, we've had a very good ongoing relationship with all of their staff. We communicate with them regularly. I've got everybody's cell phone number. If I need something, I just call them up, send them an email. It's not a big deal."

Vote YES for Low Rates on Tuesday, November 5th!

Rates Comparison Chart



Note: Assumes $3.3 million investment financed over 25 years, with 3% issuance costs

MISSOURI
AMERICAN WATER

October 16, 2019

Name
Street
City

Dear :

On Tuesday, November 5, the residents of Hallsville will be voting on the potential sale of the city's wastewater system, which is an important opportunity to make your voice heard on the future of the city's wastewater rates.

Missouri American Water will be holding an open house to talk to Hallsville voters about the election and the company's interest in purchasing the city's wastewater system. Along with other company leaders, I will be on hand to explain how Missouri American Water, and our $38.75 monthly wastewater rate and $3.3 million investment in the city's wastewater system, are the best and lowest cost solution for ongoing environmental problems, including untreated waste discharges into nearby streams. While our rate is a flat $38.75 for residential customers, we believe your rates could climb to $68 per month or higher with other wastewater solutions, including Hallsville keeping the system.

I invite you to our open house, details below, and look forward to answering your questions, addressing your concerns and explaining how Missouri American Water can both keep your wastewater rates low and fix persistent environmental violations.

Open house details:

- Tuesday, October 29 at 6 p.m. in the Hallsville Community Center
- 324 E Hwy OO
- Sandwiches and drinks will be served

I hope you will take the opportunity to join us on Tuesday the 29th. If you have any questions about the meeting, please visit us on Facebook.

Sincerely,

Debbie Dewey
President, Missouri American Water

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 11th day of May, 2021.

Morris L. Woodruff
Secretary

Digitally signed by MOPSC
DN: CN=MOPSC, O=MOPSC, OU="",
E=kim.happy@psc.mo.gov, C=US
Reason: I attest to the accuracy and
integrity of this document
Location: Cole County, Missouri
Date: 2021.05.11 14:52:33-05'00'
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MISSOURI PUBLIC SERVICE COMMISSION

May 11, 2021

File/Case No. SA-2021-0017

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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.