

Exhibit No.: 302 9-18-19 Bjv
Issue: Public Interest
Witness: Kenneth Hulett
Sponsoring Parties: Cedar Glen Condominium
Owners Association, Inc.
Case Nos.: Case No. WA-2019-0185
and SA-2019-0186

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CEDAR GLEN CONDOMINIUM OWNERS ASSOCIATION, INC.

Case Nos. WA-2019-0185
and SA-2019-0186

REBUTTAL TESTIMONY

OF

KENNETH HULETT

August, 2019

CGCOA Exhibit No. 302
Date 9-18-19 Reporter Bjv
File No. WA-2019-0185

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

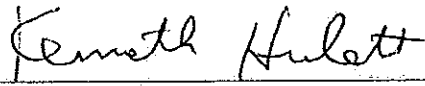
In the matter of the Application of Osage Utility)
Operating Company, Inc. to Acquire Certain) Case No. WA-2019-0185
Water and Sewer Assets and for a Certificate of) and SA-2019-0186
Convenience and Necessity)

AFFIDAVIT OF KENNETH HULETT

STATE OF MISSOURI)
) ss.
COUNTY OF CAMDEN)

I, Kenneth Hulett, of lawful age, and being duly sworn, do hereby depose and state:

1. My name is Kenneth Hulett. I am President of Cedar Glen Condominium Owners Association, Inc.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my personal knowledge, information and belief.

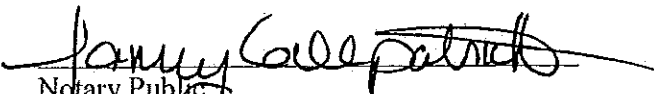


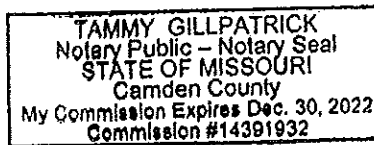
Kenneth Hulett

Subscribed and sworn to before me, a Notary Public, this 12 day of August, 2019.

My Commission expires:

12-30-22


Notary Public



1 REBUTTAL TESTIMONY

2 OF

3 KENNETH HULETT

4 CASE NOS. WA-2019-0185; SA-2019-0186

5 **Q. Please state your full name and address.**

6 A. My name is Ken Hulett. My address is 164 Cedar Glen Drive, Unit 3B, Camdenton,
7 Missouri 65020.

8 **Q. Are you an officer of the Cedar Glen Condominium Owners Association, Inc.?**

9 A. Yes, I am the President of the Association and also a member of its board of
10 directors.

11 **Q. Please describe your duties as President of the Association.**

12 A. I serve as the chief executive officer of the Association and although I am
13 accountable to the board of directors (which is also referred to as the Executive
14 Board in the declaration of condominium for Cedar Glen) I consider myself chiefly
15 responsible for the day to day business and management of the Association and all
16 other aspects of the Association's business. In this position, I serve also as the
17 primary point of contact between the board of directors and the condominium unit
18 owners who are members of the Association. My duties and obligations as
19 President are generally expressed in the Association's bylaws.

20 **Q. What is the purpose of your rebuttal testimony?**

21 A. On behalf of the Association's board of directors I have been authorized to respond
22 to the direct testimony of Mr. Josiah Cox and Mr. Todd Thomas, witnesses for
23 Osage Utility Operating Company, Inc. (OUOC). I will address the public interest

1 considerations involved in this matter particularly and will have a recommendation
2 to the Commission as well.

3 **Q.** **At page 28, lines 9-11 of his direct testimony, Mr. Cox states that his testimony**
4 **explains that “the proposed acquisition of the assets of Osage Water Company**
5 **and the related transactions are not detrimental to the public interest of the**
6 **State of Missouri.” Do you agree with Mr. Cox?**

7 A. No, I do not.

8 **Q.** **Please explain why you disagree.**

9 A. First, I disagree that the Missouri statewide public at large is a factor in this case.
10 In my corporate capacity I represent a major segment of the public who will be
11 directly affected by a decision in this case and whose interests should be of foremost
12 concern to the Commission. That segment of the public, not the balance of the
13 residents in Missouri, will be subject to the rules, rates and procedures of OUOC if
14 it is granted certification. There are 202 condominium unit owners at Cedar Glen,
15 each of whom is a customer of the water and sewer services provided by Osage
16 Water Company, some of whom own more than one condominium. Those unit
17 owners represent 216, approximately half or more, of the Osage Water Company
18 customer base. Whether the public interest will be detrimentally affected by
19 approval of OUOC’s application should be judged or evaluated based on the
20 interests of those unit owners.

21 **Q.** **Would approval of OUOC's application be detrimental to the public interest?**

22 A. Yes, especially with respect to the members of the Association that I represent.

23 **Q.** **Why would OUOC’s application be detrimental to the public interest?**

1 A. During the 14 or more years of Osage Water Company's receivership, water and
2 sewer services available from Public Water Supply District No. 5 of Camden
3 County (PWSD#5) have expanded and, as Mr. Krehbiel has discussed in his direct
4 testimony, an interconnecting water distribution line between PWSD#5 and
5 facilities at Cedar Glen is not only feasible but would economically address
6 regulatory compliance concerns about a secondary well. Should this Commission
7 approve a sale of the Osage Water Company assets serving Cedar Glen to PWSD#5,
8 the Association board of directors has authorized the voluntary annexation of the
9 condominiums into PWSD#5. The board has determined that for the long term
10 condominium unit owners are better served by PWSD#5 water and wastewater
11 services. At this time approval of OUOC's application would effectively overlay a
12 regulated public utility on PWSD#5's anticipated expanded service territory all to
13 the detriment of the District's plan for future service growth and to the detriment of
14 Cedar Glen's unit owners. At present there is no need for a regulated public utility
15 in our area which will essentially duplicate services already supplied, or services
16 which could be easily extended, by an existing and fully qualified non profit and
17 publicly supported provider of those services.

18 **Q. Have you reviewed the proposed rates OUOC would charge if its application**
19 **were approved by the Commission?**

20 A. Yes. Mr. Cox testifies at page 22 of his direct testimony that OUOC proposes to
21 use the existing Osage Water Company rates. He also states on page 23 of his direct
22 testimony that OUOC's proposed heavy investment in facilities will likely result in
23 a rate increase.

1 **Q. Are Osage Water Company's current rates reasonable?**

2 A. Cedar Glen's board of directors has long held the position that the rates charged by
3 Osage Water Company to the unit owners are well above the costs to serve the unit
4 owners and are unreasonable. Over the course of the receivership rates for service
5 charged to Cedar Glen unit owners subsidized the maintenance and operation of,
6 and improvements to, the other Osage Water Company service areas. Any rate
7 increase that preserves that subsidy by recovering more than the costs of service to
8 Cedar Glen Condominiums is unreasonable.

9 **Q. Has OUOC advised when it might seek a rate increase after acquisition of the
10 assets?**

11 A. No, Mr. Cox does not provide a time frame. In the Staff's Recommendation a
12 condition of its approval of the application is an agreement by OUOC to file a
13 general rate case within 24 months after the effective date of the Commission's
14 order.

15 **Q. Do you expect that OUOC would file for a rate increase sooner than 24
16 months?**

17 A. In my discussions with David Krehbiel, consulting engineer for PWSD#5, I have
18 been led to understand that OUOC may apply to the Commission for a rate increase
19 which would take effect as soon as its second year of ownership and operation of
20 the assets, and in that rate case seek approval of rates for service which in all
21 likelihood will be the highest in Camden County and far above what Cedar Glen's
22 unit owners would pay for PWSD#5 utility service. Mr. Krehbiel explained that
23 based upon his review of OUOC's projections for collected revenue in the second

1 and subsequent years of its ownership and operation of the assets, OUOC's
2 combined monthly rate for water and sewer service might be more than twice what
3 PWSD#5 now charges for the same services. PWSD#5 charges customers \$78 a
4 month for water and sewer service combined, a rate which PWSD#5 has advised
5 will not change if it obtains the facilities serving Cedar Glen. The prospect that
6 within a year the unit owners in Cedar Glen may pay \$156 or more per month for
7 water and sewer service is highly detrimental to them. I am not aware of any other
8 utility provider in Camden County charging that much for its water and sewer
9 service.

10 **Q. Are there other condominium projects in the vicinity of Cedar Glen?**

11 A. Two that I consider neighbors are Cedar Heights Condominiums and Clearwater
12 Condominiums. Cedar Glen, Cedar Heights and Clearwater were built and
13 organized by the same developer.

14 **Q. How are water and sewer services provided to the unit owners at Cedar
15 Heights and Clearwater?**

16 A. The unit owners in those condominium projects are customers of PWSD#5. This
17 raises another factor which reinforces that OUOC's proposed purchase of the Osage
18 Water Company assets is detrimental to the public interest. If OUOC's rates reach
19 the level it has projected, as explained by Mr. Krehbiel, the rates for utility service
20 at Cedar Heights and Clearwater will be approximately half of what Cedar Glen
21 unit owners pay, a situation which I consider unfair and which will unquestionably
22 lead to objections and complaints.

23 **Q. Is the cost of utilities a factor in the value of a condominium unit?**

1 A. Yes, it is. It is just one of a number of cost factors that would influence the value
2 of a condominium unit to a prospective purchaser. Other cost factors would include
3 the amount of the annual assessment and real estate taxes.

4 **Q. If OUOC's combined rate for water and sewer service should rise to twice**
5 **PWSD#5's rate, will this have an effect on the value or marketability of units**
6 **at Cedar Glen?**

7 A. It is entirely possible that the value of units at Cedar Glen would decrease while the
8 value of units at Cedar Heights and Clearwater would increase because of the large
9 difference in the rates for water and sewer services.

10 **Q. Earlier you mentioned that OUOC proposes to substantially invest in the**
11 **Osage Water Company facilities. Has OUOC estimated the investment it**
12 **proposes for the Cedar Glen Water and Sewer Service Areas?**

13 A. Yes. In pages 15 through 18 of his direct testimony Mr. Todd Thomas states that
14 the estimated cost (combined) of needed improvements to the water and wastewater
15 facilities serving Cedar Glen is approximately \$659,700.00.

16 **Q. Has PWSD#5 estimated the costs of needed improvements to the Cedar Glen**
17 **Water and Sewer Service Areas?**

18 A. Yes, those cost estimates are testified to in the direct testimony of Mr. David Stone,
19 President of the District. At page 3 of his direct testimony and following he sets
20 out cost estimates obtained from Lake Ozark Water & Sewer, LLC (LOWS) which
21 has maintained the systems at Cedar Glen for at least the fourteen years of the
22 receivership. Mr. Stone estimates that the estimated cost (combined) of upgrading
23 and improving the water and wastewater facilities at Cedar Glen is approximately

1 \$39,000.00. PWSD#5 can improve the Cedar Glen water and wastewater facilities
2 to achieve compliance standards at a much, much lower cost than OUOC.

3 **Q. What do you recommend to the Commission?**

4 A. On behalf of the board of directors I recommend that the Commission reject the
5 OUOC's application and approve a sale of the Osage Water Company assets to
6 PWSD#5, Missouri Water Association, Inc. and Lake Area Waste Water
7 Association, Inc. as each has agreed with the trustee in bankruptcy for the reasons
8 set out in my testimony. As this relates to Cedar Glen, to approve OUOC's
9 application would be detrimental to the public interest. PWSD#5 is prepared to
10 annex Cedar Glen into its service territory and the board of directors of the
11 Association has agreed to voluntary annex if the sale is approved. PWSD#5 can
12 purchase the Cedar Glen assets without altering its current combined rate of \$78
13 per month. PWSD#5's water system and Cedar Glen's water system can be
14 interconnected at a reasonable cost. The District can make needed improvements
15 to the Cedar Glen water and wastewater facilities at a much lower cost than OUOC.
16 Annexation of and interconnection with Cedar Glen water facilities is consistent
17 with the District's expansion plan and with Cedar Glen's preferred long range
18 preferences. Unit owners of neighboring condominium projects are already
19 customers of the District. The public interest is served by rates for service at Cedar
20 Glen which are the same as those charged to unit owners in those neighboring
21 condominium projects. If OUOC's application is approved its rate for service at
22 Cedar Glen could be twice that of the District's, if not more. The public utility that
23 was approved and authorized to provide water and sewer service to Cedar Glen

1 proved to be insolvent and unreliable, and the Cedar Glen unit owners lived with
2 questions about the adequacy of water and sewer service through a lengthy
3 receivership proceeding. The board of directors of the Association places great
4 confidence in the District's financial condition and its abilities to provide reliable
5 and adequate service.

6 **Q. Does this conclude your rebuttal testimony?**

7 **A. Yes.**