



Josiah Cox <jcox@cswrgroup.com>

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Data Center
Missouri Public
Service Commission

Fwd: Certain water rates

1 message

Mon, Aug 10, 2015 at 7:33 AM

Jim Barnett III <jimbarnett@peoplesbk.com>
To: "jcox@cswrgroup.com" <jcox@cswrgroup.com>
Cc: Doug Lasley <DLasley@peoplesbk.com>

Josiah: hope you had a nice weekend. I had a good conversation on Fri with Jim Busch (see below). Will call you later today to discuss. We would like to get a better understanding of how CSWR and your equity source plan to meet future liquidity needs at IH. Thanks!

Jim



Jim Barnett III
Executive Vice President

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Cuba, MO 65453
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Exhibit No. 17
Date 11-28-2017 Reporter Stewart
File No. WR.2017-0259

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Begin forwarded message:

From: "Busch, Jim" <jim.busch@psc.mo.gov>
Date: August 7, 2015 at 5:10:15 PM CDT
To: "jimbarnett@peoplesbk.com" <jimbarnett@peoplesbk.com>
Cc: "Busch, Jim" <jim.busch@psc.mo.gov>
Subject: Certain water rates

Jim,

I appreciate having the opportunity to speak with you today about the regulatory process in Missouri. It can be complicated and confusing to those who do not work in it every day.

I hope that I was able to answer your questions; and more importantly, I hope that I was able to give you some comfort. I know that it may be difficult to be completely comfortable with how debts are repaid by utilities, but it is our goal at the Commission to have healthy utilities that are providing safe and adequate service. Unfortunately, the one item I cannot do is provide any guarantees.

With that, I promised to send you some water rates for systems similar to IH Utilities. Please realize that "similar" is very hard to do in our world and each entity has its rate developed based upon its own unique circumstances. Some of these rates should be higher, but at this time, we cannot force any utility to file for a rate request. There are some areas that have higher rates, but they are operated by MAWC and it is hard to include them in any comparison. Village Greens just had a rate increase approved by the Commission and its rates are going up. Raytown is currently in a rate case and its rates will be increasing as well.

Most of the systems are smaller than IH. So the lower rate makes sense because the level of investment was lower. Finally, by no means do we look at these rates as a cap and we recognize that many of the systems are in need of upgrades and improvements and when those capital expenditures occur, rates will be increasing.

If you have any further questions or concerns, please do not hesitate to contact me.

Jim

Name of Company	Date of last effective tariff	Customer Charge	Commodity Rate	Average Bill**
Liberty - KMB - Warren Woods	April 21, 2006	\$ 23.39	\$5.29 per 1,000	\$ 49.84
Rogue Creek Utilities	March 1, 2014	\$ 23.06	\$3.89 per 1,000	\$ 42.51
Liberty - KMB - Scotsdale	February 1, 2011	\$ 42.42	\$5.52 per 1,000 (over 10,000)	\$ 42.42
Osage Water	September 19, 2009	\$ 24.76	\$5.86 per 1,000 (over 2,000)	\$ 42.34
Raytown	December 21, 2012	\$ 9.96	\$6.26 per 1,000	\$ 41.26
Hickory Hills Water & Sewer	August 10, 2009	\$ 20.47	\$4.06 per 1,000	\$ 40.77
Calvey Brook	December 31, 2004	\$ 36.36	\$2.05 per 1,000 (over 3,000)	\$ 40.46
Lincoln County - Rock Port	July 20, 2012	\$ 39.80		\$ 39.80
Liberty - Algonquin	April 2, 2007	\$ 8.96	\$5.96 per 1,000	\$ 38.76
Taney County Water	June 15, 2012	\$ 10.89	\$4.88 per 1,000	\$ 35.29
Village Greens	October 28, 2004	\$ 29.59	\$2.74 per 1,000 (over 3,000)	\$ 35.07
Gascony Water Company	April 1, 1999	\$ 103.33		\$ 34.44
Empire District Electric	November 23, 2012	\$ 12.93	\$4.30 per 1,000	\$ 34.43

Valley Woods	July 10, 2010	\$ 15.97	\$4.259 per 1,000 (over 1,000)	\$ 33.01
Midland Water	January 27, 2012	\$ 9.35	\$4.64 per 1,000	\$ 32.55
Lakeland Heights Water	December 14, 2012	\$ 15.50	\$5.63 per 1,000 (over 2,000)	\$ 32.39
Liberty - KMB - Lakewood Hills	February 1, 2011	\$ 13.53	\$3.51 per 1,000	\$ 31.08
Liberty - KMB - Crestview Acres	February 1, 2011	\$ 12.45	\$3.67 per 1,000	\$ 30.80
Roy-L Utilities	May 23, 2014	\$ 30.59		\$ 30.59
Spokane Highlands	May 7, 2008	\$ 12.38	\$3.56 per 1,000	\$ 30.18
Terre Du Lac Utilities	4/1/2000 Quarterly	\$ 8.12	\$2.35 per 1,000 (over 5,000)	\$ 15.95
IH Utilities	October 27, 2009	\$ 10.81	\$1.89 per 1,000 (over 4,000)	\$ 12.70

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WWTP Costs	
Plant Acquisition	59,000
Civil Engineering	115,000
Entitlement & Survey	45,000
Geotechnical Engineering	5,000
Legal Due Dilligence	20,000
MDNR	2,000
Closing Costs	15,000
Appraisal and Phase I	12,000
County Review	1,000
Water Repairs	<u>1,172,000</u>
Total Land Development Costs	1,446,000
Equity	578,400
Debt Requirement	867,600
PIK Interest	43,000
Debt Fee	<u>18,212</u>
Total Debt Requirement	928,812
Cash Burn	671,470
	44,765 per month
Total Cash Need	2,178,682
Total Debt	928,812
Total Equity	<u>1,249,870</u>
Total Capitalization	2,178,682

Sources		Uses	
Loan	885,812	Upront Costs	274,000
Loan Capitalized Interest	43,000	Water Repairs	1,172,000
Equity (already spent)	274,000	Loan Capitalized In	43,000
Equity (Dry Powder)	<u>304,400</u>	Loan Fee	<u>18,212</u>
Total Sources	1,507,212	Total Uses	1,507,212

Even if all "upfront costs" are funded prior to acquisition close, there would still need to be \$304,400 of equity on hand to complete water repairs. Even in a optimistic scenario where it takes 8 months to go from close to rate increase, you would need approx \$358,000 of cash to fund opex under the old rate regime. Where does this \$\$ come from?