

## DATA REQUEST

1. Please produce any and all Documents relating to the agreement and/or decision to retain Ms. Lois Stanley ("Ms. Stanley") as an employee and/or an independent contractor of the Company.

**Answer:** See the attached contract. There are no other documents concerning this agreement.

2. Please produce a detailed narrative explaining the job description of Ms. Stanley, the duties of Ms. Stanley, the rationale for why she is being retained for three years, and please explain the compensation given to her.

**Answer:** The Indian Hills system is approximately 50 years old and, to our knowledge, there are no original engineering plans or system mapping showing the location and type of infrastructure services the Indian Hills community. In addition, no detailed engineering or operational records exist to describe how the original system operates.

Ms. Stanley has valuable information as to the location and operational issues as a result of her owning the system for 6+ plus years, after her late husband, the previous Owner/Operator, passed away.

Accordingly, Mrs. Stanley has been utilized to locate elements of the water system that were not documented in drawings or plans and to explain the system-specific nuances of operating the 50-year-old system. She has also aided in the effort to clarify connection points.

We plan to continue to utilize Mrs. Stanley as an aid in locating lines where work will be required. Because there are over 15 miles of water main in the Indian Hills system, even at the end of 3 years, we still have areas we have yet to work on.

The compensation was a matter of negotiation with Ms. Stanley and her attorney.

3. Please provide a narrative explaining what value Ms. Stanly will provide in three years that she could not provide in less time.

**Answer:** The need for Ms. Stanley's assistance is dependent upon the work being performed at any given time. Because there are over 15 miles of water main in the Indian Hills system, even at the end of 3 years, we still have areas we have yet to work on.

4. In WO-2016-0045, Staff filed a Recommendation and Staff Memorandum. In the Staff Memorandum, Page 2 indicates that "the current owner of IHU wishes to exit the utility business, and does not have the ability or desire to invest adequate money or time to keep this water system in good condition...IHU is presently in an enforcement action with the Missouri

Department of Natural Resources.” These representations evidence neglect and disinterest on the part of Ms. Stanley, and yet she continues to be paid by Indian Hills customers. In what ways has the Company ensured Ms. Stanley is adding value to provide customers with safe and adequate service? Please produce all Documents that indicate the quality and value of Ms. Stanley’s work.

**Answer:** Ms. Stanley, the widow of the original owner of IH, has provided our engineer and operators with valuable information including line sizes, main locations, and descriptions of problem areas that have aided in the timeliness and efficiency of providing service. This information is provided through conversation between the engineer/operator and Ms. Stanley.

5. In Staff Data Request No. 0009, Indian Hills responds that Indian Hills “did not have sufficient funds to pay the origination fee.” When did Indian Hills first notify Staff and OPC that it had breached its financing agreement? Was the loan agreement modified to reflect the breach? If so, please provide a copy.

**Answer:** Indian Hills has not received a notice of breach of its financing agreement. Even if Indian Hills had received a notice of breach, is unaware of an obligation to notify either Staff or OPC of such notice. In past matters concerning Indian Hills’ affiliates, the origination fee has been amortized into the final loan balance. Attached is a similar amendment for Indian Hills.

6. Why didn’t Indian Hills disclose to OPC and Staff at the time that it was in breach of its financing agreement or that the financing agreement had been modified to accommodate to the non-payment of the origination fee?

**Answer:** It is unclear what “time” is referred to. However, Indian Hills has not received a notice of breach of its financing agreement. Even if Indian Hills had received a notice of breach, is unaware of an obligation to notify either Staff or OPC of such notice. In past matters concerning Indian Hills’ affiliates, the origination fee has been amortized into the final loan balance. Attached is a similar amendment for Indian Hills.

7. Why didn’t Indian Hills seek Commission approval for relief if it could not meet its debt obligations to pay a loan origination fee?

**Answer:** As stated in the answers to OPC data requests 5 and 6, it was understood by Indian Hills that the origination fee would be amortized into the final loan balance. However, if OPC’s use of the word “relief” is in reference to interim rate relief, Indian Hills would note that OPC has recently taken the following position in Commission Case No. SM-2017-0150:

OPC does not endorse usage of emergency interim rate relief through this filing,  
OPC recognizes that the case law contemplates emergency interim rate relief.  
Pursuing such relief would require the Company to show: a “deteriorating financial

situation which 'constituted a threat to the company's ability to render adequate service.'" The utility would carry a "very heavy burden of proof" to show an emergency financial situation.

*Response to Staff Recommendation and Request For Procedural Schedule and Evidentiary Hearing*, para. 12, Case No. SM-2017-0150 (filed June 28, 2017). Such an OPC position would also influence Indian Hills' thought process in regard to the possibility of seeking relief.

8. In the Construction Loan and Security Agreement between Indian Hills and Fresh Start Venture LLC (the Loan Agreement), Page 9, Section 2.2(c) refers to late charges when "any payment under this Agreement or any other Loan Document is not made within five (5) days after such payment is due... Borrower shall pay to Lender a 'late charge' equal to five per cent (5.0%) of the amount of that payment. Please explain application of this fee to Indian Hills and Indian Hills' plan with respect to payment of the late fee. Please explain, as of August 1, 2017, the amount, if any, of late charges due. Please produce any and all correspondence with the Lender relating to late charges for non-payment of the loan origination fee.

**Answer:** Loan payments to Fresh Start will not begin until new rates are finalized. Therefore, there have been no late payments.

9. Indian Hills responded to Staff's Data Request No. 0004 stating that their audits were scheduled to close by the end of June 2017, and Indian Hills would produce those completed audits. Despite this, Indian Hills has failed to update its response. At a settlement meeting held August 14, 2017, Indian Hills disclosed that the financial reports would not be available for 30-45 days and it would produce a letter from the auditor explaining the delay and giving a timeline for production of the report. Please produce the audited financial statements for 2015 and 2016 for those entities as requested by Staff in Data Request No. 0004. Please produce any communication from the auditor that explains the delay and when the reports will be made available. Please produce the financial statements that were produced to the lender pursuant to Paragraph 5.8 of the Loan Agreement.

**Answer:** The financial statements reference the original loan documents exhibits. The auditors, Mueller Prost, have committed to completing the audits by October 13<sup>th</sup>, 2017. Please see attached auditor commitment correspondence.

10. Please provide all correspondence relating to any demand for repayment by the Lender.

**Answer:** As of this date, there has been no demand for repayment by the lender.

11. Indian Hills responded to Staff's Data Request No. 0003.4 by providing a

document labeled as “Indian Hills Utility Operating Company, Inc. Loan Amortization Schedule.” Payment dates are scheduled for the 4<sup>th</sup> of the month from April 4, 2016 and continue forward indicating seventeen payments to date. Each of these payments equal \$18,031.05 to be paid to the lender Fresh Start Venture, LLC. Staff’s Data Request No. 0001, Question 4 sought: “all monthly bank statements since January 1, 2016 through March 31, 2017 for Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility. Please update monthly as information becomes available.”

In May 2016, were any loan payments from American Bank of Missouri, business account 100500, made to Fresh Start Venture, LLC as would be required under the terms of the loan agreement? For May 2016, were any loan payments from Enterprise Bank & Trust, records, business account 0000145015, show no payments to Fresh Start Venture, LLC as would be required under the loan agreement. Please explain. Public Counsel could not find a single month in which Indian Hills made its loan payment. Public Counsel also reviewed bank records with First Round CSWR LLC Bank Account No. 108838, and Public Counsel could not identify any loan payments being made to Fresh Start Venture, LLC. Please list the name and the account number for the bank account being used by Indian Hills to make loan payments to Fresh Start Venture, LLC.

**Answer:** There have been no loan payments to date. Historically, loan payments have not begun until new rates have been established. Please see the response to Staff DR 0003.4.

12. Related to DR 10, please produce any and all relevant documents related to, and/or proving that, Indian Hills is making loan payments consistent with the Loan Agreement.

**Answer:** See Indian Hills’ response to DR 11.

13. Related to DR 10, if Indian Hills is not making loan payments consistent with the Loan Agreement, please provide a detailed explanation for each instance the Loan Agreement has not been followed.

**Answer:** See Indian Hills’ response to DR 11.

14. Related to DR 10, please produce any modification to the loan agreement reflecting any breach.

**Answer:** Indian Hills is unsure how to answer this question as it does not understand how a “modification” could reflect a “breach.” However, based on its understanding there are no modifications that reflect a “breach. “

15. *FYI - There was no DR 15 in the list sent by OPC.*

16. Related to DR 10, please explain why Indian Hills did not notify the Commission,

the Staff of the Commission, or OPC of any missed payments.

**Answer:** There are no missed payments. However, if there were, Indian Hills is unaware of any obligation to notify the Commission, the Staff of the Commission, or OPC of missed payments.

17. Related to DR 10, and consistent with Indian Hills obligation to respond to Staff Data Request 0001, Question 4, please produce all updates to the bank records for Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility.

**Answer:** Updates to the bank records have previously been provided via email to the OPC on August 22<sup>nd</sup> 2017.

18. Please explain why all of the bank accounts for Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility are in the name of P. David Glarner and Robert B. Glarner Jr. Include in your explanation a description of the permissions and authority that David and Robert Glarner have to access the bank accounts. Include in your explanation the managerial control that David and Robert Glarner have over each bank account. Please explain if David or Robert Glarner makes transactions in the accounts on behalf of Indian Hills and/or First Round CSWR.

**Answer:** The accounts are set up in this way in lieu of ongoing financial reporting that CSWR would otherwise have been required to provide to Bob and David Glarner. These individuals have online access to the accounts for investor transparency. Josiah Cox is the president of the listed entities and the only person authorized to make transactions in any of these accounts. Further, Josiah Cox is the only person that has made transactions from these accounts.

19. Please explain why Josiah Cox's name is not on any of the bank accounts, and explain what permissions and authority Mr. Cox has over the bank account for Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility.

**Answer:** See DR 17. Mr. Cox's authority is derived from his position with the respective entity.

20. Please list all other people who have access and authority to make transactions in the bank accounts for Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility.

**Answer:** See DR 17. The president of the various entities, which is currently Josiah Cox,

has the authority to make these transactions.

21. Please produce a loan agreement, and whether or not a loan agreement exists, please provide a narrative stating the terms of each and every loan (interest rate, length of time, authorized agent entering into the loan, type of loan, purpose of loan, collateral for loan, and any other material terms of the loan) for the following transactions:

(21.01) \$160,000 transfer from the Indian Hills Bank Account No. 100500 on April 8, 2016, to the First Round CSWR LLC Bank Account No. 108838.

(21.02) \$60,000 transfer from the First Round CSWR LLC Bank Account No. 108838 on April 8, 2016 to the Raccoon Creek Bank Account No. 108794.

(21.03) \$80,000 transfer from Indian Hills Bank Account No. 100500 on May 13, 2016 to the First Round CSWR LLC Bank Account No. 108838.

(21.04) \$25,000 transfer from the First Round CSWR LLC Bank Account No. 108838 on May 13<sup>th</sup>, 2016 to the Hillcrest Bank Account No. 108816.

(21.05) \$300.00 transfer from the First Round CSWR LLC Bank Account No. 108838 on May 17, 2016 to an unknown recipient with bank account no. 100720.

(21.06) \$10,000 transfer from the Raccoon Creek Bank Account No. 108794 to the First Round CSWR LLC Bank Account No. 108838 on May 25, 2016.

(21.07) \$50,000 transfer from Indian Hills Bank Account No. 100500 on May 25, 2016 to First Round CSWR LLC Bank Account No. 108838.

(21.08) \$20,000 transfer from the First Round CSWR LLC Bank Account No. 108838 on May 25, 2016 to an unknown recipient with bank account no. 100720.

(21.09) \$30,000 transfer from the Indian Hills Bank Account No. 100500 on June 10, 2016 to the First Round CSWR LLC Bank Account No. 108838.

(21.10) \$10,000 transfer from First Round CSWR LLC Bank Account No. 108838 to the Hillcrest Bank Account No. 108816 on June 10, 2016.

(21.11) \$20,000 transfer from First Round CSWR LLC Bank Account No. 108838 to an unknown recipient with bank account no. 100720 on June 10, 2016.

(21.12) \$290,000 transfer from First Round CSWR LLC Bank Account No. 108838 to the Indian Hills Bank Account No. 100500 on June 24, 2016.

(21.13) \$20,000 transfer from the Indian Hills Bank Account No. 100500 on August 10, 2016 to the First Round CSWR LLC Bank Account No. 108838.

(21.14) \$10,000 from First Round CSWR LLC Bank Account No. 108838 to the Raccoon

Creek Bank Account No. 108794.

(21.15) \$20,000 from First Round CSWR LLC Bank Account No. 108838 to the Hillcrest Bank Account No. 108816 on August 10, 2016.

(21.16) \$30,000 from the Indian Hills Bank Account No. 100500 on August 26, 2016 to the First Round CSWR LLC Bank Account No. 108838.

(21.17) \$10,000 to Hillcrest Bank Account No. 108816 from First Round CSWR LLC Bank Account No. 108838 on September 29, 2016.

(21.18) \$48,697 from First Round CSWR LLC Bank Account No. 108838 to Indian Hills Bank Account No. 100500 on September 29, 2016.

(21.19) \$10,000 from First Round CSWR LLC Bank Account No. 108838 to Hillcrest Bank Account No. 108816 on October 13, 2016.

(21.20) \$30,000 from First Round CSWR LLC Bank Account No. 108838 to Raccoon Creek Bank Account No. 108794 on October 13, 2016.

(21.21) \$550,000 from First Round CSWR LLC Bank Account No. 108838 to Indian Hills Bank Account No. 100500 on September 29, 2016.

**Answer:** No loan agreement exists for the listed transactions. These transactions were mislabeled as loans. They are intercompany transfers. As such, there are no “terms”. The origin of these transfers is the fact that Indian Hills was required to take its loan proceeds in a single transaction. On the other hand, the Staff’s rate analysis only allows for AFUDC to be recorded as construction invoices are paid, based on the amounts of those payments. Rather than allow the remaining funds to go unused, First Round utilizes those funds in the interim for cash needs of the subsidiaries. The funds are then returned to the operating company (here, Indian Hills) as construction invoices are paid. Necessarily, all funds are returned to the operating company by the completion of construction.

Account Number no. 100720 (described above as “unknown recipient”) is Smithview Utility Operating Company, Inc. Smithview Utility Operating Company administers Kuhle’s H2O, which is currently subject to a PSC complaint case. The PSC Staff asked CSWR to take over operations of this system in January of 2016.

22. Related to DR 21, Public Counsel observes unusual or curious cash flow activity at Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest Utility, Raccoon Creek Utility and Elm Hills Utility. Although Public Counsel could not identify any loan payments being made by Indian Hills, Public Counsel identifies some payments being made at Hillcrest and

Raccoon Creek. At Hillcrest, payments appear to have begun in November 2016. At Raccoon Creek, payments appear to have begun on January 27, 2017 to March 2017. The Company has not produced any updated records. Please give a narrative explanation about why these cash flow abnormalities occurred and how they will be remedied.

**Answer:** There is neither “unusual” nor “curious” cash flow activity at Indian Hills, First Round CSWR, Central States Water Resources, Hillcrest, Raccoon Creek, or Elm Hills. Updates to the bank records have previously been provided to the OPC via email on August 22<sup>nd</sup>, 2017.

As to Raccoon Creek and Hillcrest, loan payments began once new rates were in place to support such payments. Similarly, Indian Hills’ loan payments will begin after new rates are in place as a result of this case.

23. Please produce any and all Documents showing modification of loan agreements with Fresh Start Ventures, LLC and the following entities: Hillcrest Utility, Raccoon Creek Utility, and Elm Hills Utility.

**Answer:** Elm Hills does not have a loan agreement yet as approval for such has not yet been provided by the Missouri Public Service Commission. The current Hillcrest and Raccoon Creek loan agreements, with modifications, have been previously provided to OPC.

24. Please provide a narrative explanation of the terms of any and all modification with any and all loan agreement with Fresh Start Ventures, LLC and the following entities: Hillcrest Utility, Raccoon Creek Utility, and Elm Hills Utility.

**Answer:** Available loan agreements have been previously provided. Updates will be provided when they become available. Loan payments begin once investment is complete in any given system and rates have been established to begin recovering those investments.

25. Related to DR 21, the general ledger for First Round CSWR refers to an investor who has infused cash into Indian Hills. The bank records show bank account number 106528. Public Counsel observed the following transactions related to this investor: (1) On June 21, 2016, there was a \$550,000 deposit; (2) On September 6, 2016, there was a 475,000 investment; (3) On January 25, 2017, there was a \$680,000 deposit; (4) On March 20, 2017, there was an investment of \$350,000. Please identify and produce Contact Information for the investor including, the name of the investor, the resulting capital structure of First Round CSWR as a result of each of these investments, any Documents relevant to each of these investments including securities agreements<sup>1</sup>, any correspondence relating to these investments, and the nature of each investment.

**Answer:** The investor associated with each of these transactions is GSWD, LLC, a member



of First Round CSWR, LLC. The investments are made in accordance with the operating agreement for First Round CSWR, LLC. This operating agreement has been previously produced.

26. Please produce the answer to the unanswered DR from Staff's Data Request No. 0028 which states as follows: Does the account 107 – Construction Work in Progress include any projects that have been completed and placed into service? If yes, what are the in-service dates for each project and why have the amounts not been moved to the corresponding utility plant in service accounts?

**Answer:** The original CWIP reclassification was postponed in light of management's decision to place a higher priority on providing timely responses to the data requests of the PSC/OPC team members. In-service dates have been provided in response to staff DR's 0010 and 0028.

27. Please produce the following: for any and all companies and/or natural persons contacted by Indian Hills to obtain debt or equity financing for Indian Hills, please provide all date(s) of contact, the Contact Information of the entity or natural person, whether or not a formal application was submitted for financing, and whether or not the Company rejected the application.

**Answer:** See Indian Hills response to Staff DR 1 in Case No. WO-2016-0045.

28. Related to DR 27, please produce all Documents proving Indian Hills submitted financing applications and/or proving Indian Hills received rejection letters to any of the entities or natural persons identified in DR 27.

**Answer:** See Indian Hills response to Staff DR 1 in Case No. WO-2016-0045.

29. Related to DR 27, for those entities and/or natural persons contacted but did not lead to an application, please produce a narrative explanation including any and all correspondence about why an application was not submitted.

**Answer:** See Indian Hills response to Staff DR 1 in Case No. WO-2016-0045.

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