

Exhibit No.:	_____
Issue:	History of Proposed Purchase, Overview of Asset Transfer and Public Interest
Witness:	Fred Gress
Sponsoring Party:	The Meadows Water Company, North Suburban Public Utility Company and the City of Willard
Case No.:	WO-207-0424

THE MEADOWS WATER COMPANY, NORTH SUBURBAN PUBLIC UTILITY
COMPANY AND THE CITY OF WILLARD

Case No.: WO-2007-0424

DIRECT TESTIMONY

OF

FRED GRESS

Willard, Missouri
September, 2007

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of The)
Meadows Water Company, North)
Suburban Public Utility Company and)
the City of Willard, Missouri, for an Order)
Authorizing the Sale, Transfer and)
Assignment of Water and Sewer Assets to)
the City of Willard and in Connection)
Therewith Certain Other Related Transactions.)

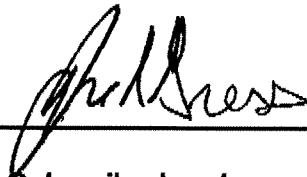
Case No.: WO-2007-0424

AFFIDAVIT OF FRED GRESS

STATE OF MISSOURI)
) ss.
COUNTY OF GREENE)

I, Fred Gress, of lawful age, and being duly sworn, do hereby depose and state:

1. My name is Fred Gress. I am presently the City Manager for the City of Willard, Missouri, and I represent the City of Willard in the above-entitled case.
2. Attached hereto and made apart hereof for all purposes is my direct 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.



Fred Gress, Willard City Manager

Subscribed and sworn to before me, a Notary Public, this 17 day of September, 2007.



Notary Public



LISA A. PRUITT
My Commission Expires
February 2, 2010
Christian County
Commission #06438841

DIRECT TESTIMONY OF FRED GRESS

Q. What is your name and business address?

A. My name is Fred Gress and my business address is P.O. Box 187, Willard, MO 65781.

Q. What is your position of employment?

A. I am the City Administrator for the City of Willard, Missouri.

Q. What is your education and work experience?

A. I have a Bachelor's Degree from Fort Hays State in Political Science, and a Master's Degree from Kansas State University in Regional and Community Planning. I have also attached a copy of my resume which summarizes my educational and professional experience. This resume is marked as FG Schedule 1.

Q. What is the purpose of your testimony?

A. I will provide an overview of the City of Willard's position on the acquisition of The Meadows Water Company and the North Suburban Public Utility Company (hereinafter "The Meadows Water and Sewer Company") and discuss, in general, the history of the City of Willard approaching The Meadows Water and Sewer Company in regards to the purchase of the water and sewer facilities, as well as an overview of how Willard will be able to provide similar and/or better services for the recipients of the water and sewer services now being provided to residents in that district.

1 **Q. Mr. Gress, could you please explain how the City of Willard came about in deciding to**
2 **purchase The Meadows Water and Sewer Company?**

3 A. The City of Willard has, in the past 20 years, been challenged to meet the ever-increasing
4 water demand of its citizens. In fact, the City of Willard has not achieved fire flow with its
5 current water system for many parts of the City. The City of Willard, through engineering
6 studies, has determined that there is an increasing need to find additional sources of water to
7 meet its urban growth patterns. The City of Willard presently has two (2) wells which service
8 approximately 1,800 customers.

9
10 In August of 2006, City Staff, together with the assistance of two Missouri Department of
11 Natural Resources (DNR) engineers, prepared a Sanitary Survey report for the Willard Water
12 System. The study involved an on-site engineering inspection and review of the public water
13 supply, including its supply sources, treatment facilities, and distribution system for the
14 purpose of evaluating their adequacy, reliability, and safety for producing and distributing
15 drinking water. Following the field and office review by the DNR survey team, Mr. Mark
16 Rader, Chief of the Water, Air and Land Section of the Southwest DNR Office delivered the
17 results of the survey to the City of Willard. His cover letter identified the immediate Capital
18 Needs for the Willard System as (1) construct a new well to public drinking water standards
19 and (2) construct additional storage to public drinking water standards. Recognizing the
20 financial commitment that would be required to accomplish those two (2) goals, the City of
21 Willard began to review alternatives that might be available. The City of Willard was well

1 aware of the fact that The Meadows Water and Sewer System was on the market and might
2 be an option worthy of consideration. The Mayor at that time (December, 2006 - January,
3 2007) and I met with Mr. Joe Stokes, the large account manager for City Utilities (CU), to
4 explore the possibility of the City of Willard contracting with CU to provide our average daily
5 water needs. To date, we have not received a reply. The analysis of the effectiveness of
6 purchasing The Meadows system was completed early in 2007 and was presented to the
7 Board of Aldermen as the most feasible approach to meeting the needs of the Willard water
8 system. The Water Master Plan, prepared by Archer Engineers, the City Engineer, completed
9 in June of 2007 substantiates that when the Willard system is permanently connected to the
10 Meadows System, the excess capacity of the Meadows two (2) wells along with the two (2)
11 existing wells located in Willard will meet the combined needs of both areas for as long as
12 twenty years. Obviously, that depends upon growth rates and other factors. The purchase of
13 the Meadows system will remove or certainly delay the need to drill another hole into the
14 aquifer which is obviously a great benefit to the Southwest Missouri area.

15
16 Concerning the sewer or wastewater system, the City of Willard wastewater system is defined
17 as that system of collection lines and lift stations that discharge to the Springfield sanitary
18 sewer system. In fiscal year 2006, the City of Willard paid to the City of Springfield over
19 \$200,000.00 to receive and treat the Willard wastewater. Willard is subject to the rules and
20 regulations that control the Springfield wastewater system. Willard is also subject to the rate
21 increases that the City of Springfield sets to operate their system and, in fact, Willard just

1 passed along a 3.6875% annual increase. This increase is required for a four (4) year period
2 and totals overall 14.75%. The Meadows Wastewater System is currently owned and
3 operated by a private company. Greene County opposes the operation of treatment systems
4 by any non-continuing authority. That is to say that wastewater systems should and need to
5 be operated by a governmental authority. The current Meadows Wastewater System is a
6 permitted DNR system and operates with a discharge permit. The City of Willard does not
7 currently hold a discharge permit. The purchase of the Meadows Wastewater System
8 expands our ability to look to the future and consider as many options as possible for the
9 operation of the Willard and The Meadows wastewater systems.

10
11 **Q. What is the City of Willard's vision for The Meadows Water and Sewer Company?**

12 **A.** The City of Willard adopted its first Comprehensive Plan in 1991 for the purpose of providing
13 an outline or guidance for the immediate and long term growth of the community. The
14 commitment to plan for the future has continued with the revision of the comp plan in 1999
15 and the preparation of a strategic plan in 2005. Willard continues to recognize the importance
16 of preparing for the future in a proactive manner and not in the re-active mode. The vision
17 for The Meadows System and the Willard System is to combine the assets of both into a well-
18 managed compliant system. In anticipation of the acquisition of The Meadows System, the
19 Willard Water Master Plan, prepared June, 2007 was prepared to blend or combine both areas
20 into a fully functional water system. Anticipated improvements include new and replacement
21 line construction, installation of emergency power, the installation of a data acquisition system

1 and the completion of water tower cleaning and painting.

2
3 The Meadows wastewater system is a separate system from the Willard System. The
4 Meadows wastewater system serves approximately 270 customers with a lagoon field
5 irrigated system. DNR presently has a no additional customer limit placed on the system. A
6 detailed list of required system improvements has been identified and will need to be
7 addressed in the immediate future. Willard is in the process of preparing a comprehensive
8 wastewater plan for both The Meadows and the City of Willard systems. The final vision is
9 not determined as of this date but the commitment to improve The Meadows system in
10 possible combination with the Willard system is not in question. Establishing correct
11 operation and maintenance is the immediate and highest priority at this point. Immediate
12 activity will include the uncovering of the wastewater manholes that have been over-laid with
13 asphalt paving, the cleaning and review of the wastewater pipe with the City's camera and
14 jetter equipment, the re-positioning of the lagoon gauging system and irrigation of the water
15 from the lagoons on a systematic basis with proper observation. Immediate and long term
16 water system improvements have already been determined within the Water Master Plan and
17 include the completion of the long over due cleaning and minor fixes on the water tower, the
18 installation of emergency power capability and the construction of new and replacement water
19 lines.

20
21 **Q. Has the City of Willard held any meetings to address any issues with the Residents of**

The Meadows to discuss the purchase of the Meadows Water and Sewer Company?

A. Yes. A meeting was held on April 25th, 2007. The Meadows Homeowners= Association hosted the meeting and several members of the whole Meadows area attended. A quorum of the Willard Board of Aldermen was present as well. The discussion lasted for nearly two (2) hours and all of the questions were addressed.

Q. Can you tell the Commission why The Meadows Water and Sewer Company is so attractive to the City of Willard?

A. The Meadows Water and Sewer Company is attractive to the City of Willard due to the fact that to build a system similar to this would cost the City of Willard at least double and require approximately \$4 million to \$5 million. The entire system, both water and sewer, is being purchased for \$1.5 million, which is a significant savings to the City of Willard. In addition, The Meadows Water and Sewer Company has far more capacity than is being used and this will assist the City of Willard as it continues to grow, as well as residents now in the City of Willard.

Q. Can you explain to the Commission what benefits would be derived for the City of Willard by the purchase of the sewer system that is currently in place?

A. The City of Willard will be benefited by the purchase of The Meadows Water and Sewer Company due to the fact that the City of Willard intends on remedying any problems associated with the sewer system now, as well as upgrading the facility. Willard's concern is

1 that the system needs repair and consistent maintenance. Failure to address these issues may
2 result in pollution occurring into the aquifers which supply water not only to the City of
3 Willard, but also the area or region as a whole.

4
5 The City of Willard believes that it can work with the Department of Natural Resources to
6 upgrade the system to make it a far more reliable non-polluting system. In addition, this
7 sewer system may result in the ability of Willard to develop a sewage treatment plant that can
8 service part of its citizens.

9
10 **Q. How close is The Meadows Water and Sewer Company to the City of Willard?**

11 A. The system lies just to the south of Willard and, in fact, The Meadows Water and Sewer
12 Company's service area adjoins the city limits of the City of Willard.

13
14 **Q. Would you please explain the steps that the City of Willard has taken to establish**
15 **financing to purchase The Meadows Water and Sewer Company?**

16 A. The City of Willard has contacted Mr. Jack Dillingham, with Piper Jaffray, who handles all of
17 the City of Willard's bond requirements. All preliminary legal work has been completed by
18 Mr. Dillingham. Mr. Dillingham, whose address is Piper Jeffray & Co., Suite # 300, 11150
19 Overbrook Road, Leawood, Kansas, 66211, may be contacted at any time to discuss this
20 issue with any party at the Public Service Commission, the Missouri Department of Natural
21 Resources, and the City of Springfield. His phone number is (913) 345-3371. The City of

1 Willard anticipates no problems whatsoever in obtaining the funds necessary to purchase The
2 Meadows Water and Sewer Company.

3
4 **Q. As of now, has the City of Willard been in contact with the Department of Natural**
5 **Resources about the possibility of purchasing The Meadows Water and Sewer**
6 **Company?**

7 **A.** Yes. I have personally spoken to Kevin Hess and others with the Department of Natural
8 Resources. My conversations with these individuals have consisted of the need for the City of
9 Willard to obtain the water capacity from The Meadows Water and Sewer Company, as well
10 as the sewer issues. The City of Willard has been notified by representatives from the
11 Department of Natural Resources that they would prefer the City of Willard to take over both
12 systems due to the fact that the City of Willard would be more than likely to maintain and
13 improve both systems. Mr. Hess can be contacted at (417) 891-4312.

14
15 **Q. What experience does the City of Willard have in handling water and sewer systems?**

16 **A.** The City of Willard presently operates its own water system. We have two (2) wells located
17 within the City of Willard. We provide water service to 1,800 customers. The City of
18 Willard also maintains its own sewer pipe which transfers waste to the City of Springfield.
19 The City of Willard maintains six (6) sewer pumping stations and has two (2) trained,
20 qualified, and licensed employees capable of handling The Meadows Water and Sewer
21 Company. They hold Type D and C licenses issued by the Missouri Department of Natural

1 Resources. Both employees have already been to The Meadows Water and Sewer Company,
2 examined the systems, and have been trained by The Meadows Water and Sewer Company's
3 employees who are presently operating the system. In addition, the City of Willard has
4 always maintained continuing education for its employees, addressing issues of water and
5 waste. The City of Willard will continue to provide sufficient training in order to provide
6 prompt and reliable services to its citizens.

7
8 **Q. Has the City of Willard had any significant service difficulties with its water or sewer**
9 **system?**

10 A. No. The City of Willard has always maintained adequate services for its citizens. Any
11 problems occurring have been minor in nature in comparison to other municipalities'
12 problems.

13
14 **Q. Can the City of Willard's general financial health absorb the cost of the transaction?**

15 A. Yes. The City of Willard is quite capable of servicing the debt for the purchase of The
16 Meadows Water and Sewer Company. In fact, assuming the documentation provided by The
17 Meadows Water and Sewer Company to the City of Willard is accurate, the system will not
18 only pay for itself, but will provide additional funds to continue to improve the system.

19
20 **Q. What is the City of Willard's history on operating its present water and sewer system**
21 **safely and efficiently?**

1 A. The City of Willard has an outstanding record with the Department of Natural Resources and
2 with its citizens in providing water and sewer service. Any complaints made on the system
3 are minor in nature and dealt with immediately. By incorporating The Meadows Water and
4 Sewer Company into the Willard system, the Willard system will actually be a better system
5 due to the fact that there will be increased pressure and the quality of water should also be
6 enhanced.

7
8 Q. **So, it is your belief that the City of Willard has the technical, financial, and managerial**
9 **resources and ability to develop, operate and maintain The Meadows Water and Sewer**
10 **Company; is that correct?**

11 A. Yes. Without a doubt, the City of Willard has the technical ability as mentioned previously
12 and will continue to address any new technology that will enhance The Meadows Water and
13 Sewer Company. On the financial and managerial side, as mentioned previously, the City of
14 Willard is quite capable of handling this system. In fact, The Meadows Water and Sewer
15 Company's system is readily absorbable into the City of Willard's present system without
16 interruption of services to both The Meadows residents and to the citizens of the City of
17 Willard.

18
19 Q. **Is it true that the City of Willard is already connected to The Meadows Water and**
20 **Sewer Company's system?**

21 A. Yes. Through an agreement between The Meadows Water and Sewer Company and the City

1 of Willard, a connection has been made between the two systems in case of emergency on
2 either side of the systems. It has been used in the past and will be a simple incorporation of
3 both systems into one.

4
5 **Q. Has the City of Willard had The Meadows Water and Sewer Company reviewed by an**
6 **engineer to determine whether its design and construction is adequate to be**
7 **incorporated into the City of Willard's current system?**

8 **A.** Yes. The City of Willard has hired Archer Engineering to review the system and has received
9 a positive report in adopting the system into the City of Willard's system.

10
11 **Q. Does The Meadows Water and Sewer Company have the specific capacity to meet the**
12 **demands of the service area, as well as assist the City of Willard in its demands?**

13 **A.** Yes. The Meadows Water and Sewer Company is at only 20% capacity and has 80%
14 potential growth rate to meet those needs.

15
16 **Q. Is the City of Willard's drinking water quality in compliance with DNR, the**
17 **Environmental Protection Agency (EPA), and all state and local departments of health**
18 **regulations with regard to inorganic, organic and bacterial contaminants and meet all**
19 **public health standards?**

20 **A.** Yes. The City of Willard does meet each of these requirements.

1 **Q. Does the City of Willard intend on raising prices for The Meadows residents if it**
2 **obtains possession and control of The Meadows Water and Sewer Company?**

3 A. No. All recipients of The Meadows Water and Sewer Company's services will be billed at the
4 same rate as current Willard residents. There will be no additional charges other than what
5 the current residents of the City of Willard pay presently for their services.

6
7 **Q. What are the current rates for service?**

8 A. The rates for sewer service are \$12.00 for the first 1,000 gallons and \$2.00 per thousand
9 thereafter. Wastewater rates for residential customers are \$13.93 base, plus \$3.33 per one
10 thousand gallons. Commercial customers pay \$18.51 base rate plus \$3.33 per thousand.

11
12 **Q. How will the public be benefited by the approval of this application?**

13 A. I believe the public will be benefited in many ways. First, by having the City of Willard
14 operate the sewage treatment facility at The Meadows Water and Sewer Company, the
15 system will be maintained by a continuing authority in a higher standard than what it is
16 presently being operated. Presently, the owners of The Meadows Water and Sewer Company
17 travel from the Jefferson City area to provide service and routine maintenance to The
18 Meadows Water and Sewer Company. With the City of Willard operating the system,
19 servicing both the sewer and water system can be done more quickly due to the City of
20 Willard being on the border of The Meadows=water and sewer district. In addition, the City
21 of Willard has the financial capability to improve and maintain the system in the future. The

1 City of Willard will be able to provide the necessary training for the operation of the system.

2 Also, by the City of Willard maintaining the system properly, there would be less of a chance
3 that contamination would occur into the aquifers which supply water to many of the residents
4 in the area on their own wells as well as the city wells for the City of Willard. None of the
5 existing customers of the system will see a change in the services provided unless that change
6 is for better service and maintenance of the system. There should be no decrease in the
7 services whatsoever. Persons connected to the system should also be benefited by local
8 management being in control of the system and there would be no detriment to the public by
9 the transfer of these facilities to the City of Willard.

10
11 Q. Does this conclude your direct testimony?

12 A. Yes.

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FRED GRESS

OBJECTIVE

I have always been a believer of hard work and education. I like to see the end results pay off. I have always been dedicated to work and have the ability to give a hundred percent.

PROFESSIONAL EXPERIENCE

2001-Present City of Fort Scott Fort Scott, KS
Director of Finance

- My present duties include full budget control, risk management, any special financial reports, investments, utilities billing and supervise and manage city clerk and other accounting personnel. In addition I manage grants and construction projects.

1998-2001 Artic Group Independence, KS
Distribution Manager

- I was responsible for the distribution of ice in the southeast Kansas and northeastern Oklahoma area. I was responsible of employees. Trucks and equipment maintenance and customer relations. Development, preparation and monitoring of my area budget were also part of my responsibilities.

1980-1986 City of Independence Independence, KS
Director of Finance/City Clerk

- My duties included the full range of statutory functions as a Municipal Clerk. As Director of Finance I was in charge of preparing and monitoring the budget. I also served as the Planning Director/Staff for the City Planning and Zoning Commission.

1977-1980/1986-1998 Arctic Ice & Water Co Independence, KS
Owner/Operator

- I have owned and operated two very successful businesses, one family-owned and the other I started from scratch. Through the years I have maintained as many as twenty employees annually.

1976-1977 State of Nebraska

Lincoln, NE

Planning Staff

- Worked on several counties comprehensive plans, and also a comprehensive plan for the City of Beatrice. These assignments were all phases of the planning process.

1974-1976 Wilson & Company Engineers & Architects Lincoln, NE

Planner

- First job assignment was the Kansas Airport Systems Plan which was adopted. Other assignments included a Gage County Comprehensive Plan, developed nine computer programs, preparation of a Capital Improvements Program for Heaston, Kansas, final applications for a Community Development Act Funds, and assisted the sanitary engineers in developing population projections for basin areas involved in wastewater collection and treatment facilities master plan.

EDUCATION

1972-1974 Kansas State University

Manhattan, KS

M.R.C.P

1970-1972 Fort Hays State College

Hays, KS

A.B. Political Science

1968-1969 Independence Junior College

Independence, KS

1964-1968 Independence High School

Independence, KS

Diploma

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