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| Exhibit No.: | |
| Issue: | Financing |
| Witness: | Greg R. Meyer |
| Type of Exhibit: | Direct Testimony |
| Sponsoring Party: | Missouri Office of Public Counsel |
| Case No.: | WR-2017-0259 |
| Date Testimony Prepared: | October 13, 2017 |

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of the Rate Increase
Request of Indian Hills Utility Operating
Company, Inc.**

Case No. WR-2017-0259

Direct Testimony and Schedules of

Greg R. Meyer

On behalf of

Missouri Office of Public Counsel

PUBLIC VERSION

October 13, 2017



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OF THE STATE OF MISSOURI**

In the Matter of the Rate Increase)
Request of Indian Hills Utility Operating)
Company, Inc.)
_____)

Case No. WR-2017-0259

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) SS

Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Office of Public Counsel in this proceeding on its behalf.

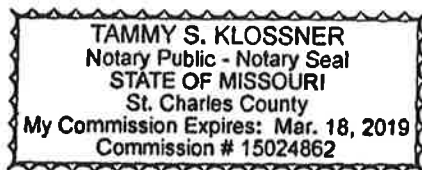
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2017-0259.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.



Greg R. Meyer

Subscribed and sworn to before me this 12th day of October, 2017.





Notary Public

Greg R. Meyer
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**The Entire Contents of this Testimony
Has Been Deemed Confidential**

Qualifications of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and a Principal with the firm of
6 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE.**

9 A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree
10 in Business Administration, with a major in Accounting. Subsequent to graduation I
11 was employed by the Missouri Public Service Commission. I was employed with the
12 Commission from July 1, 1979 until May 31, 2008.

13 I began my employment at the Missouri Public Service Commission as a
14 Junior Auditor. During my employment at the Commission, I was promoted to higher
15 auditing classifications. My final position at the Commission was an Auditor V, which I
16 held for approximately ten years.

17 As an Auditor V, I conducted audits and examinations of the accounts, books,
18 records and reports of jurisdictional utilities. I also aided in the planning of audits and
19 investigations, including staffing decisions, and in the development of staff positions in
20 which the Auditing Department was assigned. I served as Lead Auditor and/or Case

1 Supervisor as assigned. I assisted in the technical training of other auditors, which
2 included the preparation of auditors' workpapers, oral and written testimony.

3 During my career at the Missouri Public Service Commission, I presented
4 testimony in numerous electric, gas, telephone and water and sewer rate cases. In
5 addition, I was involved in cases regarding service territory transfers. In the context
6 of those cases listed above, I presented testimony on all conventional ratemaking
7 principles related to a utility's revenue requirement. During the last three years of my
8 employment with the Commission, I was involved in developing transmission policy
9 for the Southwest Power Pool as a member of the Cost Allocation Working Group.

10 In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a
11 Consultant. Since joining the firm, I have presented testimony and/or testified in the
12 state jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and
13 Washington. I have also appeared and presented testimony in Alberta and Nova
14 Scotia, Canada. These cases involved addressing conventional ratemaking
15 principles focusing on the utility's revenue requirement. The firm Brubaker &
16 Associates, Inc. provides consulting services in the field of energy procurement and
17 public utility regulation to many clients including industrial and institutional customers,
18 some utilities and, on occasion, state regulatory agencies.

19 More specifically, we provide analysis of energy procurement options based
20 on consideration of prices and reliability as related to the needs of the client; prepare
21 rate, feasibility, economic, and cost of service studies relating to energy and utility
22 services; prepare depreciation and feasibility studies relating to utility service; assist
23 in contract negotiations for utility services, and provide technical support to legislative
24 activities.

1 In addition to our main office in St. Louis, the firm has branch offices in
2 Phoenix, Arizona and Corpus Christi, Texas.

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**The Entire Contents of this Schedule
Has Been Deemed Confidential**

1 **Q. Is there a penalty for an early satisfaction**
2 **of the debt?**

3 A. Yes, sir. There is.

4 **Q. Where is that in this document?**

5 A. I don't know where it is, but I can find it
6 here if you'd like me to --

7 **Q. Sure.**

8 A. Well, sir, I might have to really read it in
9 detail. I can't -- it's not -- do you want me to take a
10 second here? I have no problem doing that.

11 **Q. Perhaps your counsel could help.**

12 MR. COOPER: I can try, although this wasn't
13 my document, so --

14 BY CHAIRMAN HALL:

15 **Q. Well, I'm looking at Page 11 --**

16 A. There you go. That's -- I think, sir,
17 that's it.

18 **Q. And "borrower may, in its discretion, prepay**
19 **the loan in full at any time after the date hereof by**
20 **paying the applicable prepayment amount." So what is the**
21 **applicable prepayment amount?**

22 A. I believe the prepayment amount is the
23 amount of outstanding interest that's due on the loan --
24 over the course of the loan.

25 MR. COOPER: Mr. Cox, would -- just to

1 direct your attention, Exhibit A-2 is the make-whole amount
2 schedule.

3 WITNESS: Yes.

4 MR. COOPER: Is that going to be applicable?

5 WITNESS: I believe that's correct. There's
6 no page number on there to refer to.

7 BY CHAIRMAN HALL:

8 **Q. So, essentially, under those terms,**
9 **prepayment is out of the question?**

10 A. Staff asked me this question. My idea to
11 prepay would be -- in future days I acquire traditional
12 financing and I get a large enough aggregate basis, that
13 would take out this loan in terms of being lower rates
14 across a much larger base.

15 **Q. But if you're -- why would it ever be in**
16 **your best interest to prepay the loan if you're going to**
17 **have to pay all of the outstanding, unpaid interest?**

18 A. Because at a future date I could roll up a
19 number of utilities and do a true security offering. So
20 imagine like a \$25 million debt offering that covers all my
21 utilities, and so it would lower rates across all the
22 customers.

23 **Q. I still don't understand why it would lower**
24 **-- it would make any sense to prepay here, but --**

25 A. Would you like me to --

1 **Q. Sure.**

2 A. -- go into that a little bit?

3 **Q. Okay.**

4 A. So, you know, debt security markets, you
5 can't rate a bond or sell a bond that's below, you know, 25
6 million for sure. I think it's really \$50 million. You
7 know, you can't do a true debt offering. So the idea is as
8 I aggregate more systems, we prove that the regulatory
9 environment is stable for investing small failing water and
10 wastewater systems. We get to a big enough size, we get
11 different financing than this, so different terms, as we
12 get bigger. Then we take all of that debt and wrap it
13 together and then go do a debt offering that's a much lower
14 rate, and then apply those costs to all the operating
15 utilities.

16 **Q. So your business plan would involve at some**
17 **point in time getting a lower cost of debt than you have**
18 **right now?**

19 A. Every time I get -- acquire a new utility I
20 look for a lower debt rate. So I apply to commercial
21 banks. I go to private equity groups, institutional
22 investors every time. So Indian Hills, every acquisition I
23 make, I go out to market.

24 **Q. Do you receive -- do you receive income for**
25 **anything unrelated to water or sewer?**