

Exhibit No. _____
Issue: Bank Applications, Intercompany
Transfers, Prepayment, Exit Plan, Debt Terms,
Capital Structure, WACC, Management
Consulting Fees, Compliance with Commission
Orders
Witness: Josiah Cox
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Indian Hills
Case No.: WR-2017-0259
Date: October 27, 2017

Missouri Public Service Commission

Rebuttal Testimony

of

Josiah Cox

On Behalf of

Indian Hills Utility Operating Company, Inc.

October 27, 2017

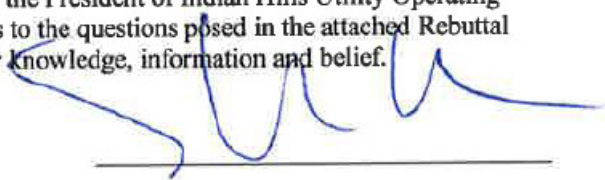
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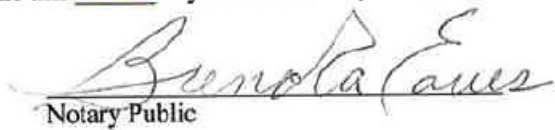
AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF St. Louis) ss

I, Josiah Cox, state that I am the President of Indian Hills Utility Operating Company, Inc. and, that the answers to the questions posed in the attached Rebuttal Testimony are true to the best of my knowledge, information and belief.



Subscribed and sworn to before me this 27 day of October 27, 2017.



Notary Public

My Commission Expires:
01/31/2021



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**REBUTTAL TESTIMONY OF
JOSIAH COX
INDIAN HILLS UTILITY OPERATING COMPANY, INC.**

WITNESS INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Josiah Cox. My business address is 500 Northwest Plaza Drive
Suite 500. St. Ann MO, 63074

**Q. WHAT IS YOUR POSITION WITH INDIAN HILLS UTILITY OPERATING
COMPANY, INC. (INDIAN HILLS OR COMPANY)?**

A. I hold the office of President of Indian Hills and Central States Water Resources,
Inc.

**Q. ARE YOU THE SAME JOSIAH COX THAT PROVIDED DIRECT TESTIMONY
IN THIS PROCEEDING?**

A. Yes.

PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of:
Office of the Public Counsel (“OPC”) witness Greg Meyer concerning corporate
structure and reasonableness of debt terms; OPC witness Michael P. Gorman,
concerning cost of debt; and, OPC witness Keri Roth concerning consulting fees
and prior Commission orders.

1 **RESPONSE TO OPC WITNESS MEYER**

2 **BANK APPLICATIONS**

3 **Q. IN HIS DIRECT TESTIMONY, OPC WITNESS MEYER PROVIDED**
4 **COMMENTS IN REGARD TO THE ORGANIZATION’S BANK APPLICATION**
5 **IN REGARD TO THE REASONABLENESS OF INDIAN HILLS’ DEBT. HOW**
6 **WILL INDIAN HILLS ADDRESS THESE COMMENTS?**

7 A. Indian Hills witness Mike Thaman will testify as to the thoroughness and quality
8 of the organization’s bank loan applications, and the process by which we
9 receive bank feedback. I will respond to the comments concerning bank
10 application review, existing debt terms, future financing, and exit plans.

11 **Q. ON PAGE 12 OF HIS DIRECT TESTIMONY, MR. MEYER ALLEGES THAT IT**
12 **IS DIFFICULT TO DETERMINE WHAT INFORMATION THE ORGANIZATION**
13 **SHARES WITH BANKS. HAS INDIAN HILLS PROVIDED ITS BANK**
14 **APPLICATION PREVIOUSLY?**

15 A. Yes. Indian Hill provided to the OPC, as part of its original financing application
16 (File No. WO-2016-0045) the entire bank loan application utilized by the
17 Company. This application contains over 200 pages of documents including,
18 written documentation on regulated utility small rate case framework, a detailed
19 CSWR core business model document, a detailed due-diligence document on
20 Indian Hills with hyper-links to the appropriate other environmental regulatory
21 standards, a list of potential future CSWR takeover targets to demonstrate that
22 an Indian Hills loan would lead to more business, and numerous documents

1 addressing Commission depreciation rates, water rate case information from a
2 Missouri-American Water case, a personalized bank loan application letter, and
3 bank pro forma. Additionally, all of the email correspondence between the
4 potential lenders and the Indian Hills representative was also provided along with
5 documentation attachments. Given this, it's hard to understand Mr. Meyers
6 comment that it is "extremely difficult to determine what information, if any, was
7 provided to each of these institutions." The full applications and corresponding
8 emails were proved to the OPC. The Company believes these copies of written
9 correspondence and documents exchanged with banks provides substantial
10 evidence of what has been provided.

11 **Q. MR. MEYER FURTHER SUGGESTS THAT BASED ON THE INFORMATION**
12 **PROVIDED, THE OPC COULD NOT WHAT WAS OFFERED TO ATTRACT**
13 **DEBT, NOR COULD OPC CONCLUDE THAT INDIAN HILLS IS NOT ABLE TO**
14 **ATTRACT DIFFERENT DEBT. WHAT COMMENTS DO YOU HAVE**
15 **REGARDING MR. MEYER'S COMMENT?**

16 A. Working with banks is a multi-step process. First, a company has to contact the
17 bank and find the appropriate lending personnel for commercial loans. Second,
18 the Company must have an in-depth conversation, either in-person or on a
19 conference call, about the regulated water/sewer utility business, the specific
20 water/sewer utility project, and the regulatory environment surrounding investor-
21 owned utilities. If the bank is willing to continue the conversation, then the
22 organization's bank application is sent and reviewed by the lending institution.

1 After that, the bank typically makes an initial decision if it has any interest in the
2 regulated utility market. If the bank is interested, then specific terms would be
3 discussed. Mr. Meyer's testimony suggests that bank financing would be
4 available if Indian Hills only would be willing to offer more favorable terms. To
5 date, no bank has been interested enough in a CSWR water or sewer utility
6 project to discuss specific terms such as capital structure, interest reserves, etc.
7 This is borne out by the previously provided correspondence with potential bank
8 partners.

9 **Q. HAVE YOU APPLIED FOR FINANCING WITH OTHER BANKS SINCE THE**
10 **INDIAN HILLS FINANCING APPLICATION WAS PROCESSED?**

11 A. Yes. Since that time, CSWR has submitted nine more bank applications for
12 various projects, including applying for a loan inside the lending footprint of First
13 State Community Bank, who Mr. Meyer specifically mentions as encouraging us
14 to apply for financing on another project. We have also applied to an equipment
15 financing company and private capital groups.

16 **Q. WHAT WAS THE RESULT OF THOSE APPLICATIONS?**

17 A. To date, no bank or other institutional finance group has been willing to provide
18 CSWR with debt financing for small water and sewer projects.

19 **Q. WHY DO YOU THINK BANKS FIND FINANCING SMALL DISTRESSED**
20 **WATER UTILITIES LIKE INDIAN HILLS TO NOT BE ATTRACTIVE?**

21 A. I think there are several reasons. For perspective, Staff determined that Indian
22 Hills had a net book value of \$43,966 at the time of Indian Hills's acquisition

1 case. Indian Hills' net book value versus dollars required to bring the system into
2 Missouri Department of Natural Resources ("MDNR") compliance represented a
3 2.5% equity basis. The actual basis would have been even less as that net book
4 value did not take into account the tax liens against I.H. Utilities (the prior owner)
5 that existed prior to closing. If the existing \$43,357.37 in tax liens were counted
6 against the utility assets, the net book value would be \$609, or 0.03%, on an
7 equity basis versus the improvements required. Moreover, the annual reports
8 filed by the previous owner suggest that it had an Earnings Before Interest, Tax,
9 and Amortization of less than \$32,000 annually on \$93,940 of revenue. The
10 utility represented a significant commercial liability with existing tax liens, MDNR
11 compliance issues, on-going and past drinking water violations, and an actual
12 public health risk (a lack of minimum system pressure and corresponding boil
13 water notice allowing residents to be potentially exposed to drinking water
14 contaminants).

15 **Q. WHAT FUNDS WERE NEEDED TO ADDRESS THESE ISSUES?**

16 A. In order to meet minimum MDNR environmental requirements, Indian Hills had to
17 invest approximately \$1.84 million in a very short time frame -- something that
18 would be required of any entity that attempted to bring these systems into
19 compliance.

20 **Q. DO YOU BELIEVE THE REGULATORY PROCESS HAS ANY IMPACT ON**
21 **FINANCING OPPORTUNITIES?**

1 A. Yes. Regulatory lag further makes debt harder to obtain. For example, Indian
2 Hills began construction on the improvements that are the subject of this case in
3 April of 2016. The direct costs of operating the Indian Hills system has resulted
4 in a cash loss, outside of any overhead allocations, of \$371,611.66, since 2016.
5 I estimate, based on experience and statutory guidelines, that small, distressed
6 utilities take 3-4 four months of engineering and permitting with MDNR, and 5-6
7 months of construction. The small rate case format has a target of 11 months
8 from filing to new rates. This means that from initial expenditures on engineering
9 for MDNR permitting, through construction, then through a rate case, a small
10 distressed water and sewer company can expect to lose money on professional
11 operations and pay for major capital improvements (in Indian Hills's case capital
12 costs are over 40x of existing net book value) for 17-21 months before any cash
13 flow stabilization. The regulatory lag associated with Indian Hills' third party
14 outside professional certified drinking water operations, critical equipment
15 maintenance, and drinking water infrastructure repairs through the end of
16 September 2017, is 8.5x the rate base of Indian Hills at the time of acquisition. If
17 corporate allocations were applied, this cash loss would be even higher. Asking
18 a bank to loan money to a water company with significant MDNR drinking water
19 safety/reliability issues, existing tax liens, that will lose the cash equivalent of 8.5
20 times the existing balance sheet (cash losses that are unrecoverable on a dollar
21 for dollar basis due to regulatory lag), needs investment capital worth 40 times
22 the existing balance sheet, and isn't going to have new cash flow for over 1.5

1 years from the first potential bank loan distribution, without any guarantee that
2 financing will be recognized in rates until that future rate case is extremely
3 difficult. I have attached an email correspondence from an experienced water
4 and wastewater lender that outlines these problems as Schedule JC-1R-C.

5 **Q. HAVE YOU HAD THE OPPORTUNITY TO FURTHER EXPLORE WHAT**
6 **GOVERNMENTAL PROGRAMS AND ASSISTANCE MAY BE AVAILABLE**
7 **FOR SMALL INVESTOR-OWNED WATER/SEWER UTILITY FINANCING?**

8 A. Yes. I have explored these options in the past. However, on August 17th of this
9 year, I was able to attend a workshop sponsored by The Missouri Department of
10 Natural Resources and organized by the Environmental Finance Center Network
11 (EFCN), which is connected to the United States Environmental Protection
12 Agency. The all-day event in Springfield Missouri was titled "Multi-Funding
13 Workshop for Small Water Systems."

14 **Q. WHAT DID YOU LEARN AT THAT WORKSHOP?**

15 A. According to the EFCN, there are potential funding groups for small water and
16 wastewater systems in Missouri. However, all of the funding agencies present at
17 the workshop reported that investor-owned utilities do not qualify for funding.

18 **Q. DID THE WORKSHOP OFFER ANY OTHER ALTERNATIVES?**

19 A. EFCN suggested (as have others) that we attempt to obtain financing with Co-
20 Bank. This is a bank that CSWR had previously approached and whose
21 rejection summary is attached as Schedule JC-1R-C.

22 **Q. DID YOU HAVE ANY OTHER FOLLOW-UP FROM THE WORKSHOP?**

1 A. Yes. I signed up to receive additional materials from the workshop related to
2 financing. These materials provided a way to request assistance from EFCN.
3 On August 24, 2017, I both received those materials and immediately applied for
4 technical assistance seeking funding (see **Schedule JC-2R** - EFCN Technical
5 Assistance Request Acknowledgement Email). On Oct. 10, 2017, EFCN
6 responded and put me in touch with Tom Roberts, the former President and
7 Chief Operating Officer of Aqua North Carolina (an Regulated Investor Owned
8 Water & Wastewater Company), who is now part of EFCN. Mr. Roberts and I
9 spoke on October 10th by telephone. On the call, Mr. Roberts told me he did not
10 think there is any money available to small distressed regulated utilities in
11 Missouri. Soon after the call, Mr. Roberts sent an email (See **Schedule JC-3R** -
12 EFCN Technical Assistance Response) regarding EFCN funding options in
13 Missouri. It was the same information disseminated at the original workshop. In
14 the email, Mr. Roberts suggested that the best method to obtain cheaper
15 financing for small investor owned utilities in Missouri is for the Missouri General
16 Assembly to amend the statutes regarding investor-owned utilities' access to
17 State Revolving Fund Loans (SRF).

18 **INTERCOMPANY TRANSFERS**

19 **Q. OPC WITNESS MEYER FURTHER SUGGESTS THAT INTERCOMPANY**
20 **TRANSFERS MAKE IT DIFFICULT FOR STAFF OR OPC TO MONITOR**
21 **OPERATIONS OR DETERMINE WHAT UTILITIES NEED SCRUTINY. WHAT**

1 **IS THE PURPOSE OF THE INTERCOMPANY TRANSFERS IDENTIFIED BY**
2 **MR. MEYER?**

3 A. Since CSWR purchases distressed small utilities with almost no existing Net
4 Book Value (2.5% versus the amount of investment required in the case of Indian
5 Hills), very little existing revenue (According to the 2015 I.H. Utilities Annual
6 Report the Earnings Before Interest, Tax, and Amortization for the utility was
7 approximately \$31,231.21), and run at a cash loss for professional outside
8 operations (Indian Hills has run at a cash loss of \$357,000) the holding company
9 makes cash infusions (intercompany transfers) into the various utilities until rates
10 can be raised to match investments and expenses. In addition, required critical
11 re-investment costs are lumpy even after rates have been raised. For example,
12 Hillcrest invested approximately \$70,000 in January of this year to replace 65
13 original system failing meters after only having 3.5 months of rate stabilized
14 revenue (this rate case was also still under appeal by the OPC at that time). This
15 investment required an cash infusion (intercompany transfer).

16 **Q. WHAT DO YOU THINK COMMISSION SHOULD UNDERSTAND FROM MR.**
17 **MEYER’S ANALYSIS OF INTERCOMPANY TRANSFERS?**

18 A. Mr. Meyer’s analysis of CSWR’s intercompany cash transfers further
19 demonstrates why bank financing is so difficult to obtain for small distressed
20 utilities. Mr. Meyer clearly shows how existing utilities’ revenues are not
21 sufficient to support routine professional operations. Mr. Meyer’s analysis of
22 Hillcrest Utility Operating Company, Inc. and Raccoon Creek Utility Operating

1 Company, Inc., for example, show that professional operations, power,
2 chemicals, customer service, and repair costs are larger than existing revenues
3 before rates are raised. Even once rates are raised, capital investments required
4 are lumpy. Even after rates were raised at Hillcrest, more capital was required to
5 fund a major meter project. The financial reality is that CSWR has to fund even
6 existing operations from cash provided by a larger holding company is a further
7 negative in regard to financing small distressed utilities.

8 **Q. WHAT DOES MR. MEYER'S ANALYSIS OF INTERCOMPANY TRANSFERS**
9 **SAY ABOUT INDIAN HILLS SPECIFICALLY?**

10 A. Mr. Meyer's intercompany transfer analysis demonstrates why a company like
11 Indian Hills is suited to purchasing the assets of a small distressed utility like I.H.
12 Utilities. Indian Hills has operated at a cash loss of over \$357,000 since its
13 acquisition of the water assets of I.H. Utilities in March of 2016. Indian Hills has
14 funded the repair of over 300 leaks, over 40 water service line replacements,
15 replaced meters and meter pits, brought in certified operations, and constructed
16 a MDNR compliant drinking water system at Indian Hills Lake. There are a
17 limited number of organizations with the assets, ability, and willingness to
18 perform in this fashion.

19 **PREPAYMENT**

20 **Q. OPC WITNESS MEYER ALLEGES THAT YOU MISLEAD THE COMMISSION**
21 **ABOUT THE POSSIBILITY OF A FUTURE LOAN REFINANCE THAT COULD**
22 **LOWER CUSTOMER RATES. DOES THE CURRENT DEBT PREPAYMENT**

1 **PENALTY PRECLUDE INDIAN HILLS FROM POTENTIALLY LOWERING**
2 **OVERALL DEBT PAYMENT COSTS IN THE FUTURE?**

3 A. No. Contrary to Mr. Meyer's accusation, I believe there are a couple of avenues
4 in which the current debt at Indian Hills and other utilities could be lowered in the
5 future by leveraging economies of scale between multiple, formerly distressed,
6 utilities that have been re-capitalized with subsequent rate cases to reflect those
7 investments. One method is to attract another investment partner who lowers the
8 debt rate for small distressed water utilities. The second method would be to
9 package a number of utilities' existing debt into a larger debt security offering.
10 Indian Hills witness Thaman will further address the reasonableness of these two
11 possibilities.

12 Q. ** _____
13 _____ **?

14 A. ** _____
15 _____
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18 _____
19 _____
20 _____.

21 Q. **HAVE ANY EVENTS SINCE YOUR PREVIOUS TESTIMONY MADE THIS**
22 **LARGER DEBT OFFERING SCENARIO MORE LIKELY?**

1 A. Yes.

2 **Q. WHAT HAS CHANGED?**

3 A. The first post-construction Hillcrest Utility Operating Company, Inc. rate case has
4 come to a close. On June 27, 2017, The Missouri Supreme Court denied the
5 Office of the Public Counsel's Application for Transfer, effectively ending the rate
6 case that was initially filed September 15, 2015. While rates resulting from that
7 rate case became effective on August 19, 2016, the June 27, 2017 ruling was
8 important in that no part of Hillcrest's existing rate was subject to refund and
9 could be fully recognized as the Company's revenue. ** _____

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16 _____.

17 **Q.** ** _____

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19 _____?

20 **A.** ** _____

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EXIT PLAN

Q.

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3 **Q.** ** _____

4 _____ **?

5 **A.** ** _____

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13 _____.

DEBT TERMS

15 **Q. HAS THE COMPANY MADE PROGRESS ON FINANCING AND DEBT**
16 **TERMS?**

17 **A.** Yes, as mentioned above the company has used recent developments in its
18 utility business to half the current debt pre-payment penalties and lower interest
19 rates.

20 **Q. DO YOU HOPE TO CONTINUE TO MAKE PROGRESS?**

1 A. Yes. The organization firmly believes that if the actual conditions of the systems
2 continue to be accounted for in rate cases that capital market terms will continue
3 to improve.

4 Q. **HAS THE COMPANY MADE SPECIFIC EFFORTS AT FINANCING IN**
5 **RESPONSE TO STAFF OR OPC SUGGESTIONS?**

6 A. Yes. For example, we have reached out to First State Community Bank and Co-
7 Bank, entities that Staff or OPC suggested might be able to finance small water
8 utility projects.

9 **RESPONSE TO OPC WITNESS GORMAN**

10 **DEBT RATE**

11 Q. **OPC WITNESS GORMAN STATES THAT INDIAN HILLS SHOULD USE AN**
12 **IMPUTED LEVEL OF DEBT OF 6.75%, A MEDIAN VALUE OF DEBT FROM**
13 **DAYTON POWER & LIGHT. WHAT IS YOUR OPINION OF THAT POSITION?**

14 A. The debt rate Mr. Gorman suggests is not available to Indian Hills. Mr. Thaman
15 will testify on why Mr. Gorman's debt analysis is faulty. Additionally, I believe Mr.
16 Gorman's whole attempted debt analysis demonstrates the difficulty small
17 distressed water utility companies face when trying to obtain financing.

18 Q. **WHY DOES MR. GORMAN'S DEBT ANALYSIS DEMONSTRATE THE**
19 **DIFFICULTY SMALL UTILITIES FACE IN OBTAINING FINANCING?**

20 A. Because Mr. Gorman tries to apply a hypothetical debt rate from a company,
21 Dayton Power and Light, that is 1000's of times larger than Indian Hills both pre-
22 investment when debt is applied for and post-investment. Dayton Power and

1 Light is owned by AES, a company that manages \$36 Billion dollars of assets.

2 This comparison ignores the reality of distressed small utilities.

3 **CAPITAL STRUCTURE**

4 **Q. OPC WITNESS GORMAN OPINES THAT AN APPROPRIATE CAPITAL**
5 **STRUCTURE WOULD BE 50% DEBT AND 50% EQUITY. IS THAT CAPITAL**
6 **STRUCTURE AVAILABLE TO INDIAN HILLS?**

7 A. No. Mr. Gorman incorrectly tries to apply a capital structure that does not exist to
8 Indian Hills. Mr. Gorman utilizes Dayton Power and Light, which is over 4,400
9 times larger than Indian Hills pre-investment, for his debt rate proposal.

10 However, he then ignores Dayton Power and Light's existing capital structure
11 (which is 67.73% debt to 32.27% equity) applying a 50%/50% structure to Indian
12 Hills as a target. Mr. Gorman's hypothetical capital structure has nothing to do
13 with Indian Hills.

14 **Q. WHAT SHOULD THE COMMISSION DO IN REGARDS TO CAPITAL**
15 **STRUCTURE?**

16 A. The Commission should use Indian Hill's actual capital structure.

17 **WACC**

18 **Q. OPC WITNESS GORMAN ULTIMATELY SUGGESTS A 8.045% WEIGHTED**
19 **AVERAGE COST OF CAPITAL ("WACC"). DOES MR. GORMAN'S WACC**
20 **ANALYSIS FIT INDIAN HILLS?**

21 A. No. Mr. Gorman attempts to utilize a debt rate from a company 4,400 times
22 larger than Indian Hills on a capital structure that is discounted from the same

1 larger company Mr. Gorman derived his debt rate, and utilizes a return on equity
2 that is less the Commission has previously ordered for Missouri-American Water
3 Company, the largest water utility company in Missouri. Mr. Gorman's structure
4 is based on a debt rate that is just not available to a small distressed water
5 system given the existing risks including 27 existing MDNR compliance issues,
6 on a capital structure that does not exist for a utility with a 2.5% equity basis at
7 the time of acquisition compared to MDNR required/Staff recognized investment
8 requirements, with a with a return on equity that is lower than the largest water
9 and wastewater utility in Missouri. This WACC has no relevance to Indian Hills.

10 **Q. WHAT SHOULD THE COMMISSION DO WITH WACC?**

11 A. The Commission should utilize the WACC developed by Mr. D'Ascendis, which
12 accounts for actual debt costs, actual capital structure, and a reasonable ROE.

13 **RESPONSE TO OPC WITNESS ROTH**

14 **MANAGEMENT CONSULTING FEES**

15 **Q. OPC WITNESS ROTH HAS NOT INCLUDED MANAGEMENT CONSULTING**
16 **FEES IN HER REVENUE REQUIREMENT. WHAT ARE THE REFERENCED**
17 **MANAGEMENT CONSULTING FEES?**

18 A. The management consulting fees are amounts paid pursuant to contract by
19 Indian Hills to Lois Stanley, the previous Owner of I.H. Utilities.

20 These fees have been paid since March 31, 2016.

21 **Q. HOW MUCH IS PAID BY INDIAN HILLS?**

22 A. \$500 a month.

1 **Q. WHY ARE THE MANAGEMENT CONSULTING FEES BEING PAID?**

2 A. The Indian Hills system is approximately 50 years old and, to the Company's
3 knowledge, there are no original engineering plans or system mapping showing
4 the location and type of infrastructure services the Indian Hills community. In
5 addition, no detailed engineering or operational records existed to describe how
6 the original system operated.

7 Ms. Stanley has been utilized to help locate elements of the water system that
8 were not documented in drawings or plans, clarify existing connection points, and
9 to explain the system-specific nuances of operating the 50-year-old system that
10 she developed as a result of her owning the system for previous 6+ plus years
11 since her late husband, the previous Owner/Operator, passed away. The
12 Company plans to continue to utilize Ms. Stanley as an aid in locating lines
13 where work will be required. Because there are over 16 miles of water main in
14 the Indian Hills system, even at the end of 3 years, Indian Hills will still have
15 areas that have yet to be worked on.

16 **COMPLIANCE WITH COMMISSION ORDERS**

17 **Q. WHAT ALLEGATIONS DOES OPC WITNESS ROTH MAKE ABOUT**
18 **PREVIOUS COMMISSION ORDERS?**

19 A. Ms. Roth contends that Indian Hills did not comply with a number of Commission
20 Orders in the original WO-2016-0045 financing case in regard to reporting as to
21 the initial issuance of debt to Indian Hills, potential violation of debt covenants,

1 use of Indian Hills debt proceeds, and changes to the investment structure of
2 Indian Hills.

3 **Q. WHAT RESPONSE DO YOU HAVE ABOUT REPORTING ON INITIAL DEBT**
4 **ISSUANCE?**

5 A. First, I would note that Notice of each of the closings completed by the
6 organization's operating companies has been timely provided. The following is a
7 listing of the File Numbers., closing dates, and date the Notice of Closing was
8 filed for each of those matters:

File No.	Closing Dates	Notice of Closing Filed
WO-2014-0340 (Hillcrest Utility Operating Company, Inc.)	March 13, 2015	March 20, 2015
File No. SM-2015-0014 (Raccoon Creek Utility Operating Company, Inc.)	March 13, 2015, and March 16, 2015	March 20, 2015
File No. WO-2016-0045 (Indian Hills Utility Operating Company, Inc.)	March 31, 2016.	April 4, 2016
File No. SM-2017-0150 (Elm Hills Utility Operating Company, Inc.)	October 16, 2017	October 20, 2017

9
10 We do not have the exact date the financing documentation was provided to Staff
11 and OPC. However, as to the Hillcrest, Raccoon Creek, and Indian Hills matters,
12 it has been in Staff's and OPC's possession for over a year.

13 **Q. WHAT RESPONSE DO YOU HAVE ABOUT IN REGARD TO REPORTING OF**
14 **DEBT COVENANT VIOLATIONS?**

15 A. The Company is not in violation of any debt covenants, nor were there any debt
16 payments due. Indian Hills debt waivers were issued to match the fact that debt

1 could not begin being repaid until revenues are raised to match previous
2 investment. This has been the organization's practice for each of the utilities for
3 which construction have been completed. Copies of waivers have been
4 previously provided.

5 **Q. WHAT RESPONSE DO YOU HAVE AS TO WHETHER DEBT PROCEEDS**
6 **WERE UTILIZED TO FUND INDIAN HILLS IMPROVEMENTS?**

7 A. Indian Hills was issued \$1.45MM in debt principal and even the OPC using a
8 hypothetical debt rate with corresponding AFUDC and discounting the Staff and
9 Company partial disposition agreement treatment of Crawford Electric electrical
10 improvements acknowledges that Indian Hills has made approximately \$1.8MM
11 in improvements. All of the debt proceeds have been invested in Indian Hills.

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes, it does.