

Exhibit No. _____
Issues: Net Book Value of Plant (NBV)
Witness: Josiah Cox
Type of Exhibit: NBV Rebuttal Testimony
Sponsoring Party: Confluence Rivers Utility
Operating Company, Inc
File Nos.: WA-2019-0299
Date: April 28, 2020

Missouri Public Service Commission

NBV Rebuttal Testimony

of

Josiah Cox

On Behalf of

Confluence Rivers Utility Operating Company, Inc

April 28, 2020

Table of Contents

WITNESS INTRODUCTION..... 1
PURPOSE..... 1
NET BOOK VALUE OF PORT PERRY ASSETS 1

**NBV REBUTTAL TESTIMONY OF
JOSIAH COX
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

1 **WITNESS INTRODUCTION**

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

3 A. My name is Josiah Cox. My business address is 1650 Des Peres Rd., Suite 303,
4 St. Louis, Missouri 63131.

5 **Q. ARE YOU THE SAME JOSIAH COX WHO PREVIOUSLY FILED DIRECT AND**
6 **SURREBUTTAL TESTIMONY IN THIS CASE ON BEHALF OF CONFLUENCE**
7 **RIVERS UTILITY OPERATING COMPANY, INC. (CONFLUENCE RIVERS)?**

8 A. Yes.

9 **PURPOSE**

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. The purpose of my testimony is to respond to the Direct Testimony of Staff
12 Witness Bolin concerning the assessment of net book value of Port Perry Service
13 Company, LLC ("Port Perry").

14 **NET BOOK VALUE OF PORT PERRY ASSETS**

15 **Q. AT PAGE 2, LINES 10-23 THROUGH PAGE 3, LINES 1-12 OF MS. BOLIN'S**
16 **TESTIMONY, SHE SPECIFIES AND DEFINES THE VARIOUS COMPONENTS**
17 **STAFF USES IN CALCULATING RATE BASE. DO YOU AGREE WITH**
18 **STAFF'S DEFINITIONS AND GENERAL PROCESS USED IN CALCULATING**
19 **NET BOOK VALUE OF UTILITY ASSETS?**

20 A. Yes, I agree that process is reasonable for purposes of this case.

1 **Q. AT PAGE 3, LINES 13-17 OF MS. BOLIN'S TESTIMONY, MS. BOLIN STATES**
2 **THAT THE RATE BASE OF PORT PERRY'S UTILITY SYSTEMS WILL NEED**
3 **TO BE REVEIWD AND DETERMINED IN ANY SUBSEQUENT RATE CASE**
4 **TO DETERMINE JUST AND REASONABLE RATES TO BE CHARGED TO**
5 **CUSTOMERS. DO YOU AGREE?**

6 A. Yes. Should the Commission approve Confluence Rivers' application to acquire
7 the assets of Port Perry, whatever amount is set by the Commission in this case
8 for net book value will be used as the starting net book value amounts for these
9 assets in a subsequent rate case filed by Confluence Rivers. In future rate case
10 proceedings, the rate base associated with the Port Perry assets will be reviewed
11 and determined in establishing new rates for customers.

12 **Q. AT PAGE 3, LINES 18-22 OF MS. BOLIN'S TESTIMONY SHE STATES THAT**
13 **IF THE APPLICATION IS APPROVED, THE NET BOOK VALUE**
14 **DETERMINED IN THIS PROCEEDING WILL NOT IMPACT THE CURRENT**
15 **RATES CHARGED TO PORT PERRY CUSTOMERS. DO YOU AGREE?**

16 A. Yes. Regardless of the net book value determined in this proceeding, the existing
17 rates for Port Perry customers, approved by the Commission in 2002, will be
18 used by Confluence Rivers upon acquisition. In my Direct Testimony admitted as
19 Exhibit 1, at page 13, lines 19-24, through page 14, lines 1-20, I explained that
20 Confluence Rivers will use the existing rates for Port Perry customers approved
21 by the Commission in 2002.

22 **Q. AT PAGE 5, LINES 11-13 OF MS. BOLIN'S TESTIMONY SHE STATES THAT**
23 **STAFF PROPOSES A NET BOOK VALUE OF \$20,070 FOR PORT PERRY**

1 **WATER ASSETS, AND A NET BOOK VALUE OF \$57,866 FOR PORT PERRY**
2 **SEWER ASSETS, BOTH UPDATED THROUGH DECEMBER 31, 2019. DOES**
3 **CONFLUENCE RIVERS AGREE WITH THESE NUMBERS FOR PURPOSES**
4 **OF THIS ACQUISITION APPLICATION?**

5 A. Yes. As Ms. Bolin indicates, the net book value Staff proposes in its testimony is
6 the same net book value agreed to by Staff, OPC and Confluence Rivers in the
7 *Stipulation and Agreement as to Net Book Value* (“*Stipulation and Agreement*”)
8 filed on April 9, 2020 in this case. Paragraph 3 of the *Stipulation and Agreement*
9 reads:

10 **Net Book Value:** The signatories agree that the net book value for
11 the Port Perry assets as of December 31, 2019, is \$20,070 for
12 water and \$57,866 for sewer. The net book value amounts stated in
13 this paragraph for both the water and sewer assets will be used as
14 the starting amounts for the calculation of rate base (with regard to
15 the Port Perry assets) in Confluence River’s next rate case.

16
17 **Q. AT PAGE 1, LINES 18-23, THROUGH PAGE 2, LINES 1-9, MS. BOLIN**
18 **STATES THAT STAFF REVIEWED THE INVOICES PROVIDED BY**
19 **CONFLUENCE RIVERS IN RESPONSE TO STAFF DATA REQUEST NO. 0018**
20 **AS PART OF ITS DETERMINATION OF NET BOOK VALUE. HAVE YOU**
21 **ATTACHED THESE SAME INVOICES TO YOUR TESTIMONY?**

22 A. Yes. Attached as **Schedule JC-1**, are the invoices provided by Confluence
23 Rivers and reviewed by the parties when assessing the net book value for
24 purposes of this case.

25 **Q. IS THE NET BOOK VALUE FOUND IN THE *STIPULATION AND AGREEMENT***
26 **REASONABLE?**

1 A. Yes. The process of obtaining invoices associated with many years of operation
2 from a prior operator and classifying the invoices that can be found, sometimes
3 many years after they were created, can be a challenge. Given these
4 circumstances, the net book value in the *Stipulation and Agreement* is
5 reasonable.

6 **Q. AT PAGE 5, LINES 20-21, THROUGH PAGE 6, LINES 1-3, MS. BOLIN**
7 **STATES IT IS STAFF'S UNDERSTANDING THAT "CONFLUENCE IS NOT**
8 **SEEKING TO RECOUP ANY ACQUISITION PREMIUM FROM RATEPAYERS**
9 **AS A RESULT OF THIS PROPOSED TRANSACTION IN THE CURRENT**
10 **PROCEEDING, AND WILL NOT SEEK TO DO SO IN SUBSEQUENT RATE**
11 **PROCEEDINGS." IS STAFF'S UNDERSTANDING CORRECT?**

12 A. Yes. Confluence Rivers has not requested an acquisition premium in this case.
13 Also, Confluence Rivers has formally waived acquisition premium recovery in
14 subsequent rate proceedings related to the Port Perry assets to be acquired as
15 part of this case. On March 4, 2020, Confluence Rivers filed a pleading to
16 formalize its position that originally was stated in surrebuttal testimony (Exh. 5,
17 Cox Sur., p. 22) as well as live testimony at the October 2019 evidentiary hearing
18 in this case. I have attached the *Waiver Concerning Acquisition Premium* as
19 **Schedule JC-2.**

20 **Q. DO YOU AGREE WITH MS. BOLIN'S TESTIMONY THAT CONFLUENCE**
21 **RIVERS HAS THE FINANCIAL CAPABILITY TO PURCHASE THE PORT**
22 **PERRY ASSETS FOR THE AGREED TO PURCHASE PRICE AND NOT**
23 **RECOUP ANY PREMIUM AMOUNT PAID?**

1 A. Yes, Confluence Rivers has the technical, managerial, and financial resources to
2 own and operate the systems to be acquired and to otherwise provide safe and
3 adequate service on a going forward basis. The CSWR family of companies
4 currently provides water or sewerage service to over 35,000 customers serving
5 more than 100,000 people across four states. Confluence Rivers will be able to
6 provide safe and reliable water and sewerage service to the Port Perry
7 community without recovery of any acquisition premium as a result of this
8 transaction. Further, any premium paid by Confluence Rivers will not result in a
9 detriment to the public interest because Confluence Rivers will not recover in
10 customer rates any premium amount paid.

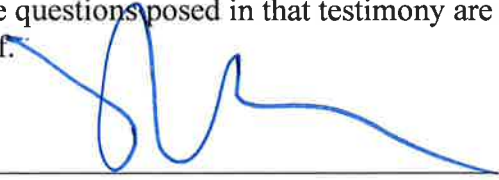
11 **Q. DOES THIS CONCLUDE YOUR NBV REBUTTAL TESTIMONY?**

12 A. Yes, it does.

AFFIDAVIT

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

I, Josiah Cox, state I am the President of Confluence Rivers Utility Operating Company, Inc.; the attached NBV Rebuttal Testimony and schedules were prepared by me or under my direction and supervision; and, the answers to the questions posed in that testimony are true to the best of my knowledge, information and belief.



Subscribed and sworn to before me this 28th day of April, 2020.



Notary Public

My Commission Expires:

6/14/22
(SEAL)

