

2019 JUN 26 PM 3:47
LA PUBLIC SERVICE COMMISSION

June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Major Sanitary and Sewage

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Major Sanitary and Sewage. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Stop</i>	ROUTE FROM
DEPT. <i>Bull</i>	DATE <i>6/26</i>	DEPT. _____
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DEPT. _____	DATE _____	DEPT. _____

2013 OCT 20 11:00 AM
COMMUNICATIONS SECTION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: James Major d/b/a Major Sanitary & Sewerage
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, James Major d/b/a Major Sanitary and Sewerage ("Major") seeks an order reflecting the Commission's approval of, or non-opposition to, Major's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Major owns and uses to provide regulated wastewater utility service to customers in Pointe Coupee Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Major currently provides regulated wastewater service to approximately 250 customers in Pointe Coupee Parish. Major is a Louisiana sole proprietorship whose principal office is at 7913 Park Street, Ventress, Louisiana, 70783. All notices and other official documents related to the application should be sent to the attention of John Major at that address or to the following email address: caomajors@gmail.com.

Magnolia proposes to buy and Major proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Major entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains

information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Major's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Major and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Major.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Major have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

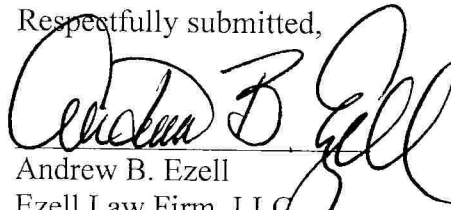
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Major is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Major.
9. The proposed transfer would be fair and reasonable to the owners of Major, as evidenced by the fact that without their consent Major could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Major's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Major's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Major nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

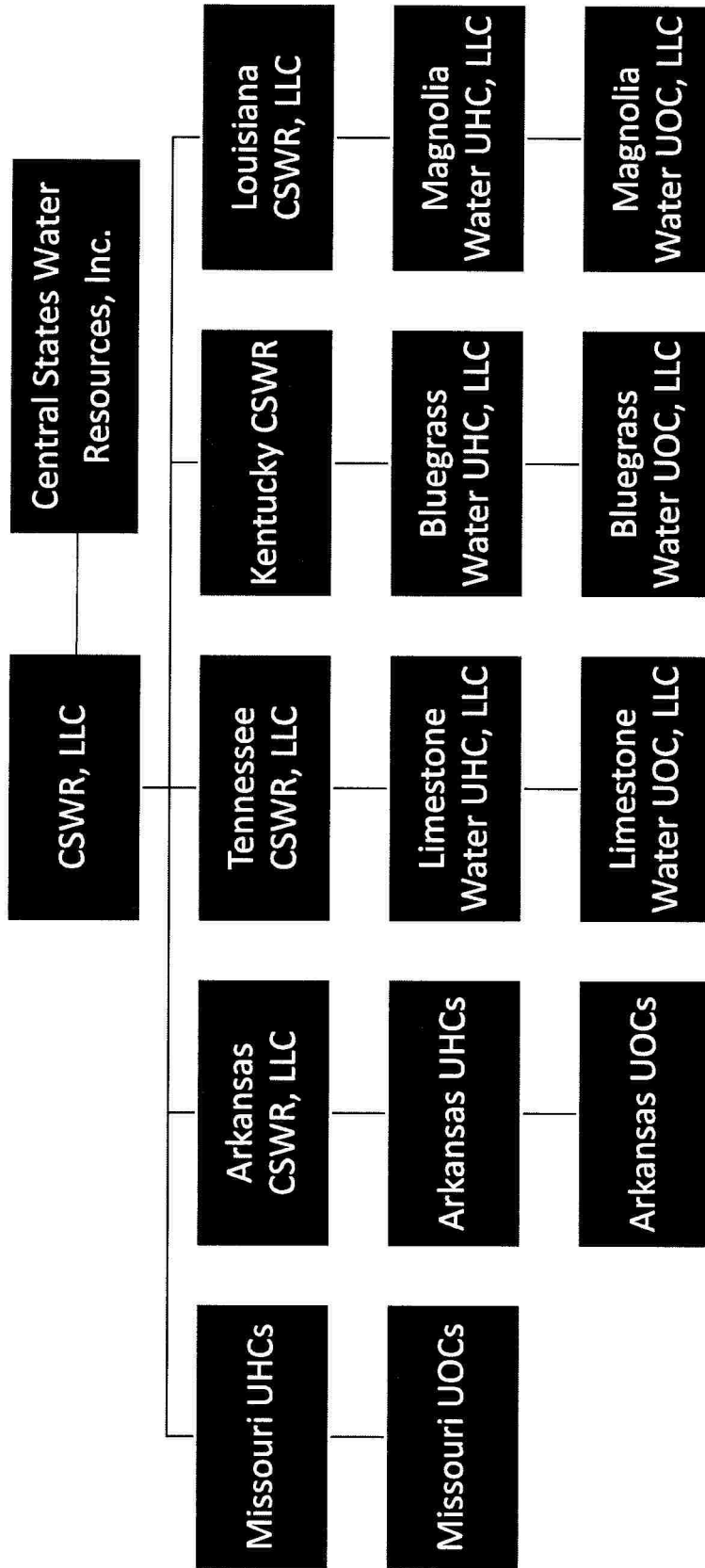
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as **Exhibit C** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a mechanical plant in design and covers a single service area. Magnolia would make necessary repairs to the facility and add flow metering and remote monitoring equipment to the mechanical plant and remote metering to other system components as needed. In addition, we plan to investigate the wastewater collection systems for inflow/infiltration problems. The total estimated cost of these upgrades is approximately \$110,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Major's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew B. Ezell". The signature is written in a cursive style with a large, prominent initial "A".

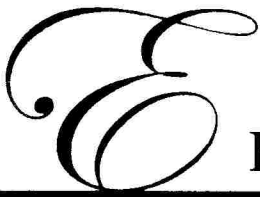
Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
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Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart



In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

2019 JUN 25 PM 3:51

LA. PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Colonial Oaks Subdivision Water & Sewerage
Utilities, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Colonial Oaks Subdivision Water & Sewerage Utilities, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>4500</i>	ROUTE FROM
DEPT. <i>Bull</i>	DATE <i>6/24</i>	DEPT. _____
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RECEIVED
PUBLIC SERVICE COMMISSION
NOV 17 2011

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Colonial Oaks Water & Sewerage Utilities, Inc.
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Colonial Oaks Water & Sewerage Utilities, Inc. ("Colonial Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Colonial Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Colonial Oaks owns and uses to provide regulated wastewater utility service to customers in Ascension Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Colonial Oaks currently provides regulated wastewater service to approximately 72 customers in the Colonial Oaks subdivision in Ascension Parish. Colonial Oaks is an inactive Louisiana corporation whose principal office is at 42305 Bayou Narcisse Road, Gonzales, Louisiana, 70737. All notices and other official documents related to the application should be sent to the attention of Susan Denham at that address.

Magnolia proposes to buy and Colonial Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Colonial Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential"

because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Colonial Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Colonial Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Colonial Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Colonial Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

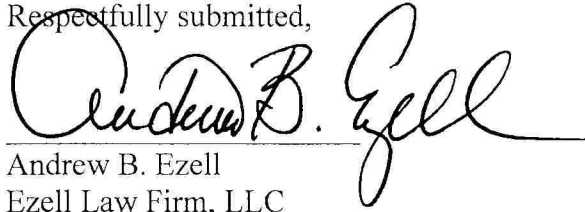
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Colonial Oaks is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Colonial Oaks.
9. Because it is a limited liability company, Colonial Oaks has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, Colonial Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Colonial Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Colonial Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Colonial Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

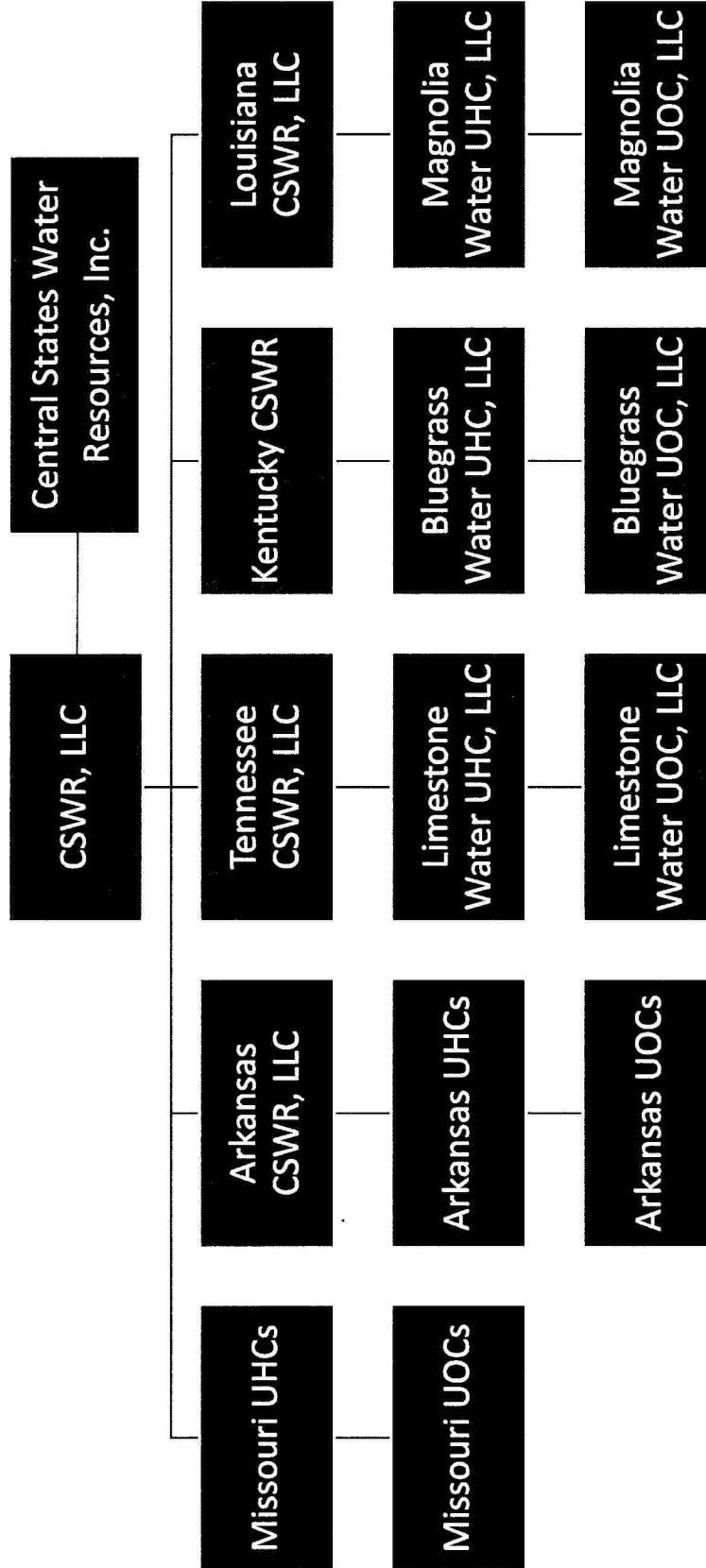
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a lagoon system by design and serves a single service area. Magnolia would make necessary repairs to this facility and add flow metering and remote monitoring equipment to the wastewater facility. The lagoon system would require vegetation removal from existing berms as well as berm repair and stabilization. This facility also requires installation of an all-weather access road and fencing repairs/replacement for safety and security. The total estimated cost of these upgrades is approximately \$248,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Colonial Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,

A handwritten signature in black ink that reads "Andrew B. Ezell". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart



In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

LA PUBLIC SERVICE
COMMISSION
2019 JUN 25 11:03 AM

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Evangeline Oaks Water Systems, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Evangeline Oaks Water Systems, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Bull-15dup</i>	ROUTE FROM
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7/17/2014 10:00 AM

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Evangeline Oaks Water Systems, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Evangeline Oaks Water Systems, Inc. ("Evangeline Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Evangeline Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Evangeline Oaks owns and uses to provide regulated water utility service to customers in Bossier Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Evangeline Oaks currently provides regulated water service to approximately 65 customers in Evangeline Oaks subdivision in Bossier Parish. Evangeline Oaks is a Louisiana corporation, in good standing, whose principal office is at 7730 Chesapeake Drive, Shreveport, Louisiana, 71105. All notices and other official documents related to the application should be sent to the attention of Larry Laborde, the company's President, at that address or to the following email address: llaborde@CDSwater.com.

Magnolia proposes to buy and Evangeline Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Evangeline Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance

with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Evangeline Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Evangeline Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Evangeline Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Evangeline Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana

Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its

affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Evangeline Oaks is the only water utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Evangeline Oaks.
9. The proposed transfer would be fair and reasonable to the majority of Evangeline Oaks' shareholders, as evidenced by the fact that without the consent of its shareholders Evangeline Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Evangeline Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water service at fair and reasonable rates. Authorizing Magnolia to acquire Evangeline Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water system.
12. Neither Evangeline Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as **Exhibit C** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: Evangeline Oaks' system consists of two active and one inactive well. Each active well is connected to a hydropneumatics tank that supplies water to the distribution system. Magnolia's efforts to bring the system into compliance, avoid past problems with failures, monitor the system, and file test reports would initially focus on establishing comprehensive testing documentation procedures to prevent future violations. A mission control system would be installed to monitor chlorine levels and other basic system information, thereby eliminating past incidents where fecal coliform levels were exceeded. The system was cited for inadequate disinfection and testing violations, and boil orders were issued. The total estimated cost of these upgrades would be approximately \$113,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Evangeline Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

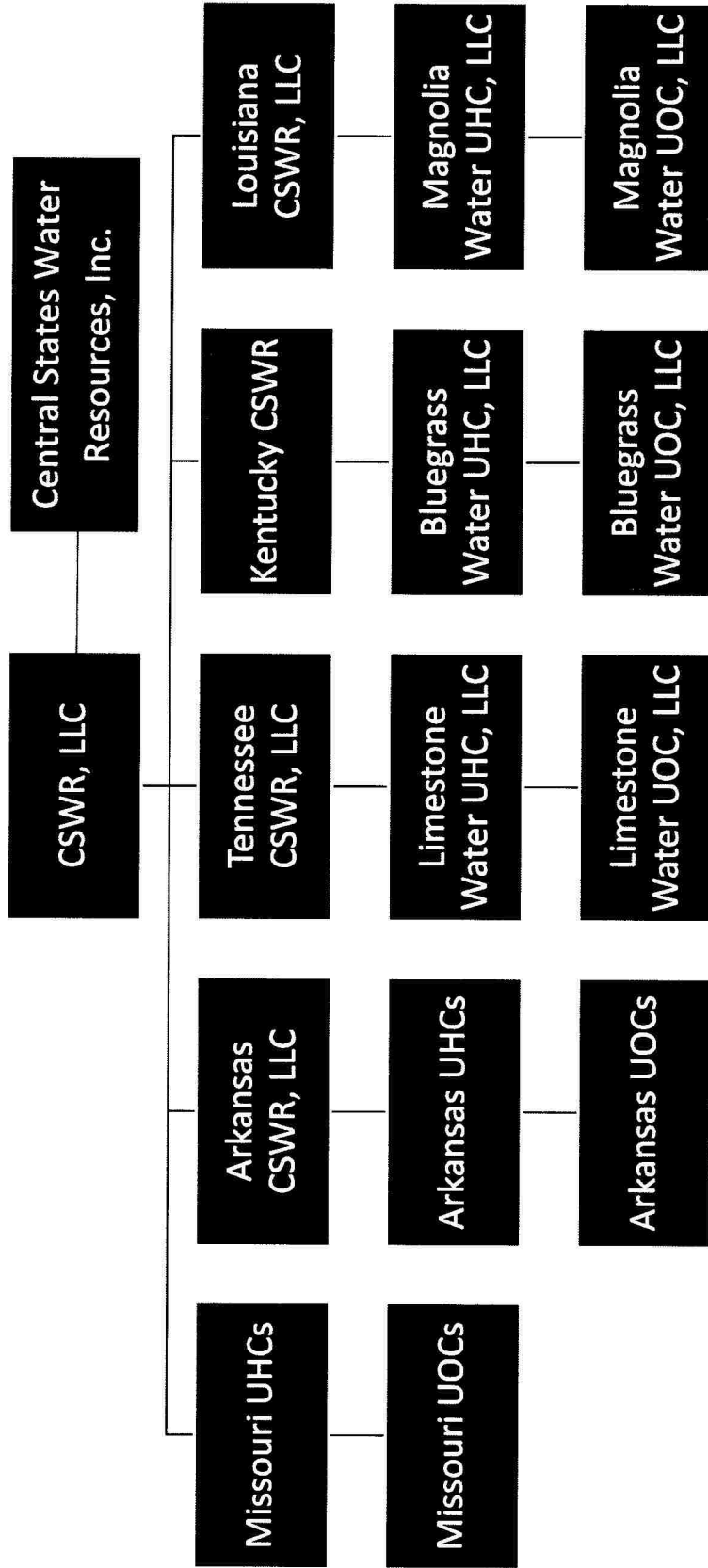
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



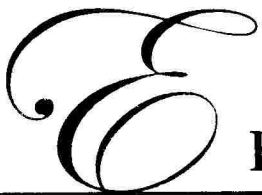
Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart



In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



2019 JUN 25 PM 3:47

June 25, 2019 PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Olde Oaks Sewer System, LLC

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Olde Oaks Sewer System, LLC. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

-15 days

ROUTE TO	<i>Bull</i>	DATE	<i>6/28</i>	ROUTE FROM	
DEPT.		DEPT.		DEPT.	
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2019 JUN 25 PM 3:47

LA PUBLIC SERVICE
COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Olde Oaks Sewer System, LLC

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Olde Oaks System, LLC ("Olde Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Olde Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Olde Oaks owns and uses to provide regulated wastewater utility service to customers in Bossier Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Olde Oaks currently provides regulated wastewater service to approximately 101 customers in the Olde Oaks subdivision in Bossier Parish. Olde Oaks is a Louisiana limited liability company whose principal office is at 3404 Jones Creek Road, Baton Rouge, Louisiana, 70816. All notices and other official documents related to the application should be sent to the attention of Yueqin ("Eugene") Ji, the company's Member/Manager, at that address or to the following email address: grpstars@yahoo.com.

Magnolia proposes to buy and Olde Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Olde Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the

Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Olde Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Olde Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Olde Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Olde Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

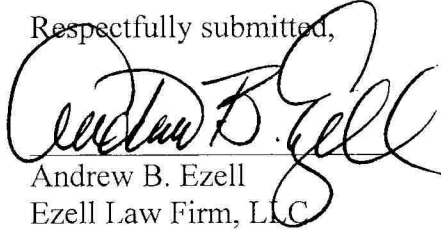
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Olde Oaks is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Olde Oaks Sewer.
9. Because it is a limited liability company, Olde Oaks has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, Olde Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Olde Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Olde Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Olde Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

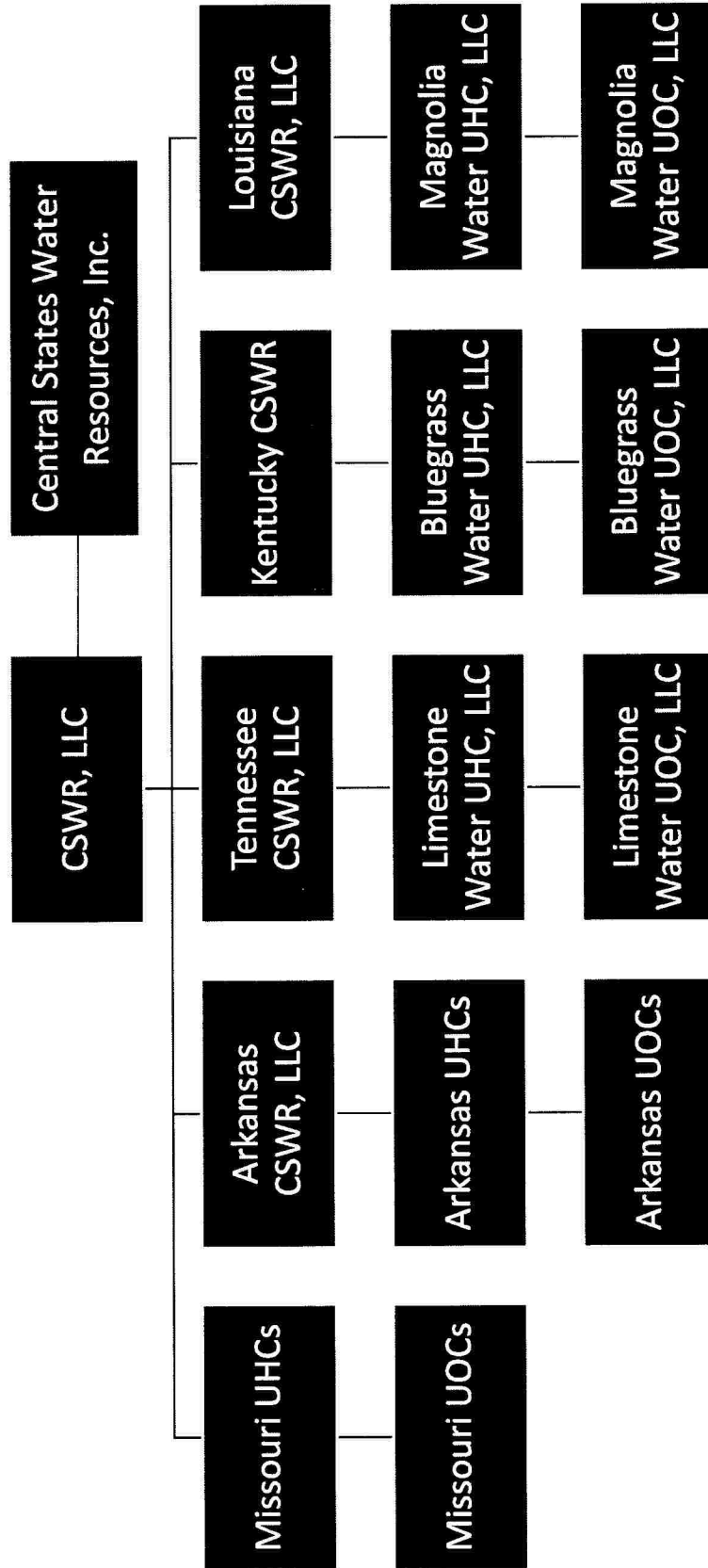
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as **Exhibit C** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a mechanical plant in design and covers a single service area. Magnolia would make necessary repairs to the facility and add flow metering and remote monitoring equipment to the mechanical plant and remote metering to other system components as needed. In addition, Magnolia plans to investigate the wastewater collection systems for inflow/infiltration problems. The total estimated cost of these upgrades is approximately \$83,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Olde Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew B. Ezell". The signature is written in a cursive style with large, looping letters.

Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart



In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Fryc
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

2019 JUN 25 11 3:45
LA PUBLIC SERVICE
COMMISSION

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Coast Waterworks, Incorporated


Dear Mr. Fryc:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Coast Waterworks, Incorporated. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC


Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<u>Bull</u> ⁻¹⁵	ROUTE FROM
DEPT.	DATE <u>6/26</u>	DEPT. _____
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**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

2019 JUN 25 11:31 AM
LOUISIANA PUBLIC SERVICE COMMISSION

Seller: Coast Waterworks, Incorporated
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Coast Waterworks, Incorporated ("Coast Waterworks"), seeks an order reflecting the Commission's approval of, or non-opposition to, Coast Waterworks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Coast Waterworks owns and uses to provide regulated water and wastewater utility service to customers in St. Tammany Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Coast Waterworks currently provides regulated water and wastewater services to approximately 5,000 customers in two communities in St. Tammany Parish: Eden Isle and The Meadowlands. Coast Waterworks is a Mississippi corporation, duly authorized to conduct business in Louisiana, whose principal office is at 2786 Pass Road, Biloxi, Mississippi, 63074. All notices and other official documents related to the application should be sent to the attention of C. T. Switzer at that address or to the following email address: cts1952@aol.com.

Magnolia proposes to buy and Coast Waterworks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater service in Louisiana. Central States and Coast Waterworks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the

agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Coast Waterworks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Coast Waterworks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Coast Waterworks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Coast Waterworks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary

discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia has the technical, managerial, and financial expertise and experience necessary to own and operate the water and wastewater utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable water and wastewater services at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Coast Waterworks is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Coast Waterworks.
9. The proposed transfer would be fair and reasonable to the majority of Coast Waterworks' shareholders, as evidenced by the fact that without the consent of its shareholders Coast Waterworks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Coast Waterworks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Coast Waterworks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.

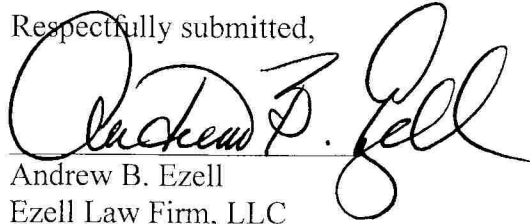
12. Neither Coast Waterworks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as **Exhibit C** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition:
 - a. The wastewater system serving the Eden Isle community consists of an extended aeration plant with flow equalization, chlorination, de-chlorination, a traveling bridge filter, and aerated sludge disposal by a contract hauler. Each home within the community has a septic tank and pump with graywater sent to the utility's plant for centralized treatment. That plant has had serious and ongoing disinfections issues due to a faulty chlorination system. The plant also has experienced mechanical failures in the aeration and pumping systems and does not have remote monitoring or sensing equipment. Necessary improvements would include building repair, structural tank repair and painting, overhauling or replacing aeration and pumping systems and replacing the existing chlorine disinfection/de-chlorination system with an ultraviolet system. A new tertiary filtration system also would be added to support biological treatment, promote system resilience, and remove total suspended solids.

- b. The Eden Isle water system is in good shape because it was constructed within the past 20 years using modern materials. However, the existing system needs back-up pumping and the water tower requires painting and refurbishment. The system also lacks remote monitoring, real time chlorine disinfection monitoring, or any usage-sensitive equipment. Conversion from chlorine gas to sodium hypochlorite will also be completed. Magnolia would address each of these deficiencies.
- c. Like Eden Isle, each home in the The Meadowlands has a septic tank and pump with greywater pumped to a centralized treatment facility. The existing plant has had ongoing disinfection issues due to a faulty chlorination system. The plant's aeration and clarification systems also have had several minor mechanical failures, and the plant lacks any remote monitoring or sensing equipment. Magnolia would perform building repair, structural tank repair and painting, overhaul or replace aeration systems and mechanical systems supporting clarification. The existing chlorine disinfection/de-chlorination system would be replaced by an ultraviolet disinfection system, and a new tertiary filtration system would be added to support biological treatment, promote system resiliency, and remove suspended solids.
- d. The Meadows' drinking water system is in good shape because it was constructed within the past 20 years using modern materials. However, the system needs back-up pumping systems and the water tower requires painting and refurbishment. The plant also lacks remote monitoring, real time chlorine disinfection monitoring, and usage-sensitive equipment. Conversion from chlorine gas to sodium hypochlorite will also be completed. Magnolia would address each of these deficiencies.

The total estimated cost of the upgrades described above is approximately \$4,800,000.

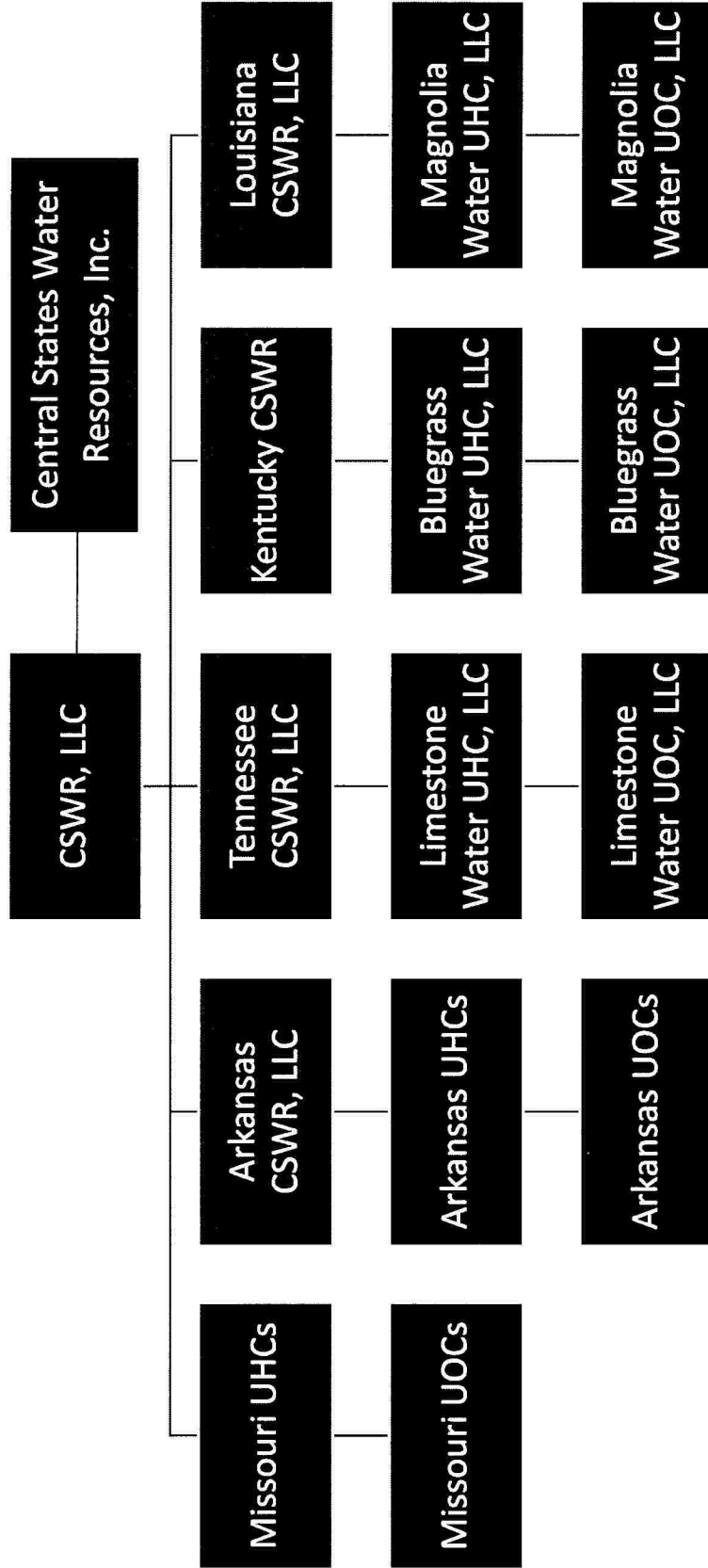
- 16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
- 17. CSWR would invest equity capital to purchase Coast Waterworks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
- 18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew B. Ezell". The signature is written in a cursive style with a large initial "A" and "E".

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Central States Water Resources Corporate Organizational Chart



In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

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