

June 25, 2019

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

2019 JUN 25 PM 3:50  
LA PUBLIC SERVICE  
COMMISSION

Re: Magnolia Water Utility Holding Company, LLC  
Application for Non-Opposition  
Wildwood South Public Service Company, 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 Wildwood South Public Service Company, 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

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L. PUBLIC SERVICE  
COMMISSION

**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**

**Seller:** Wildwood South Public Service Company, 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, Wildwood South Public Service Company, Inc. ("Wildwood South") seeks an order reflecting the Commission's approval of, or non-opposition to, Wildwood South's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Wildwood South owns and uses to provide regulated water and wastewater utility service to customers in Caddo 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](mailto:jcox@cswrgroup.com); [mduncan@cswrgroup.com](mailto:mduncan@cswrgroup.com); [rmitten@cswrgroup.com](mailto: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](mailto:aezell@ezellfirm.com).

Wildwood South currently provides regulated water and wastewater services to approximately 142 water and approximately 181 wastewater customers in the Wildwood Forest subdivision in Caddo Parish. Wildwood South is a Louisiana corporation, in good standing, whose principal office is at P.O. Box 7, Keithville, Louisiana, 71407. All notices and other official documents related to the application should be sent to the attention of Jerry Taylor, the company's President, at that address or to the following email address: [phenagan0001@gmail.com](mailto:phenagan0001@gmail.com).

Magnolia proposes to buy and Wildwood South 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 services in Louisiana. Central States and Wildwood South 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 Wildwood South'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 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, Wildwood South 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 Wildwood South.

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 Wildwood South 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.



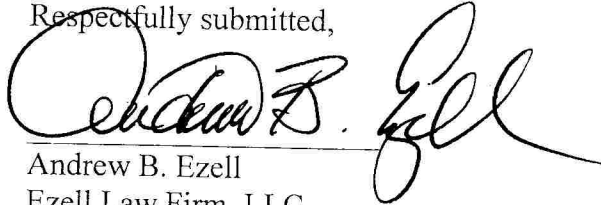
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the 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 Wildwood South 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 Wildwood South.
9. The proposed transfer would be fair and reasonable to the majority of Wildwood South's shareholders, as evidenced by the fact that without the consent of its shareholders Wildwood South 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 Wildwood South's 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 Wildwood South'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 water and wastewater systems.
12. Neither Wildwood South 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 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 Wildwood South system is made up of one service area that provides water and wastewater service within the service area. The wastewater treatment facility consists of a single cell wastewater lagoon. The collection system consists of all gravity sewer to the wastewater lagoon. The system is in need of upgrades to meet the current permit for ammonia and E. coli. The improvements necessary will be the installation of an MBBR and an ultraviolet disinfection unit. The water facility consists of only distribution and does not include production. The city that sells water to the system does chlorinate the water. The system is in need of upgrades to extend the life of the facility and provide safer controlled service. The main upgrades at this facility consist of installation of remote monitoring, miscellaneous maintenance items on the existing components, and installation of a chlorinate analyzer and remote monitoring system. The total estimated cost of these upgrades is approximately \$352,000.
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.

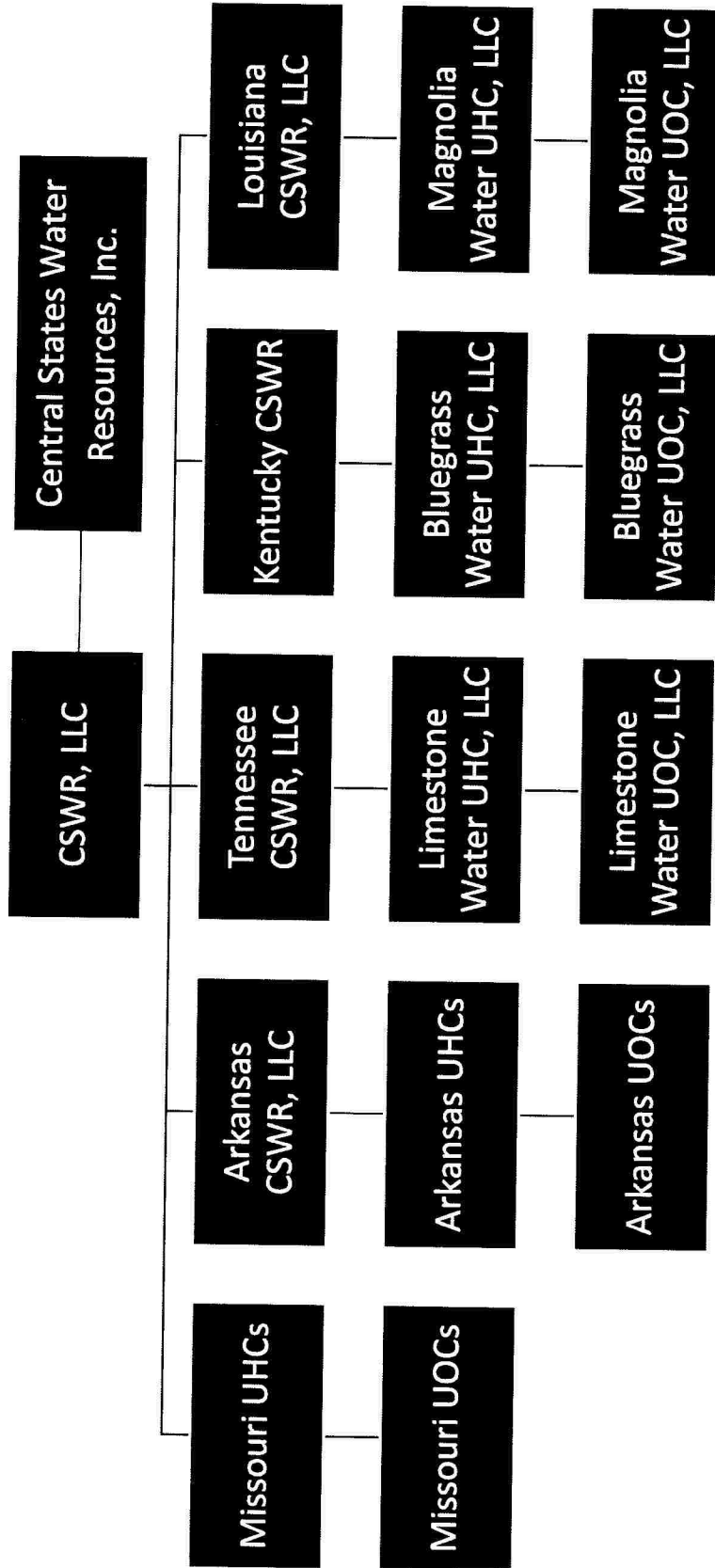
17. CSWR would invest equity capital to purchase Wildwood South's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect 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,



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](mailto: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.



**EXHIBIT C - PUBLIC**

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, 12<sup>th</sup> Floor  
Baton Rouge, LA 70802

2019 JUN 25 11:03 AM  
LA PUBLIC SERVICE  
COMMISSION

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

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Andrew B. Ezell

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Ms. Jaelyn Penzo  
Mr. Patrick L. Roque

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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 DR 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 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, DR 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 DR 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 DR 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 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.



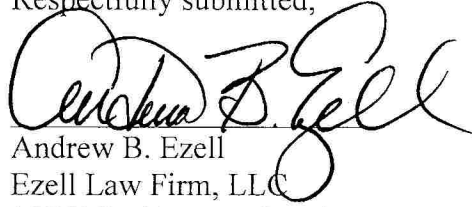
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the 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 DR Waterworks 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 DR Waterworks.
9. Because it is a limited liability company, DR Waterworks 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, DR 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 DR Waterworks' 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 DR 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 system.
12. Neither DR 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.)
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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 current system consists of a well pump, pressure storage tank, and chlorine injection equipment. Magnolia would install a new, real-time chlorine residual monitoring system, remote monitoring, and total usage sensing equipment. Additional upgrades to the water distribution system would include installation of new piping, valves, and automatic flushing hydrants to maintain regulatory compliance. A new building also would be constructed, with security fencing, to house each water system. The total estimated cost of these upgrades is approximately \$286,000.
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 DR 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.

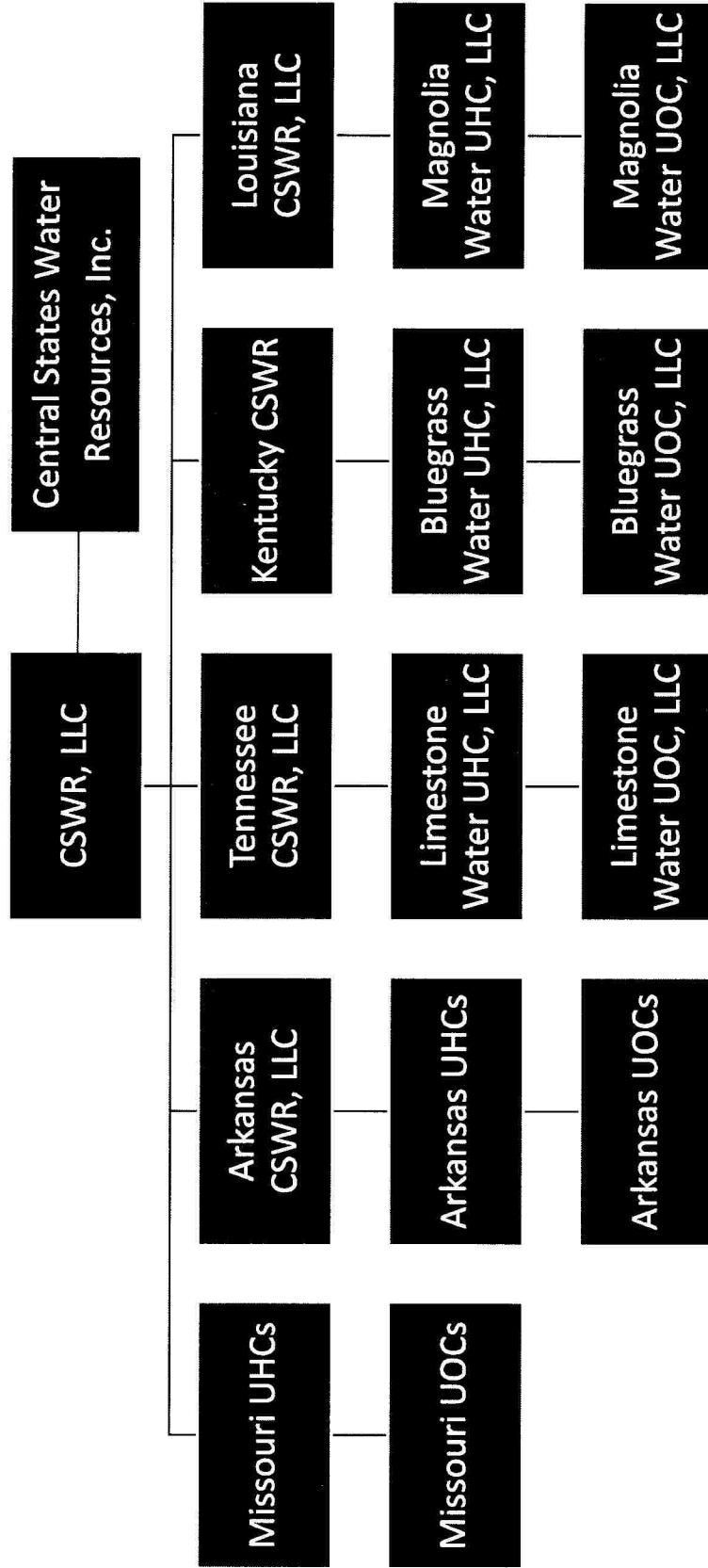
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Respectfully submitted,



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](mailto:aezell@ezellfirm.com)

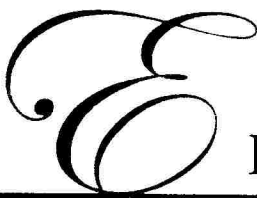
Central States Water Resources Corporate Organizational Chart



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2019 JUN 25 PM 3:5

LA PUBLIC SERVICE  
COMMISSION

June 25, 2019

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

Re: Magnolia Water Utility Holding Company, LLC  
Application for Non-Opposition  
Curtis Environmental Services, 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 Curtis Environmental Services, 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.

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CC: Ms. Melissa Watson  
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MAY 18 1994  
PUBLIC SERVICE COMMISSION

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ALL OR SUBSTANTIALLY ALL THE ASSETS OF WATER AND WASTEWATER  
UTILITIES REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

**Seller:** Curtis Environmental Services, 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, Curtis Environmental Services, Inc. ("Curtis Environmental"), seeks an order reflecting the Commission's approval of, or non-opposition to, Curtis Environmental's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Curtis Environmental owns and uses to provide regulated water and wastewater utility service to customers in Tangipahoa and St. Tammany Parishes, 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](mailto:jcox@cswrgroup.com); [mduncan@cswrgroup.com](mailto:mduncan@cswrgroup.com); [rmitten@cswrgroup.com](mailto: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](mailto:aezell@ezellfirm.com).

Curtis Environmental currently provides regulated wastewater services to approximately 270 wastewater customers in or at Timber Ridge and Trace, Tchefuncte Harbor Townhouses, Port Louis-Madison Area, Commercial Rate Schedule, Hidden Pines and Lewisburg Estates subdivisions and water services to approximately 50 customers in Port Lewis Village in St. Tammany Parish. Curtis Environmental is a Louisiana corporation, in good standing, whose principal office is at 185 Belle Terre Boulevard, Suite D, La Place, Louisiana, 70068. All notices and other official documents related to the application should be sent to the attention of Rodney "Mike" Curtis, the company's President, at that address or to the following email address: [mike.curtis@curtislab.com](mailto:mike.curtis@curtislab.com).

Magnolia proposes to buy and Curtis Environmental 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 services in Louisiana. Central States and Curtis Environmental 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 Curtis Environmental’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 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, Curtis Environmental 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 Curtis Environmental.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small water and 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 and wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Curtis Environmental 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 reflected 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 water and 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 and 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 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.

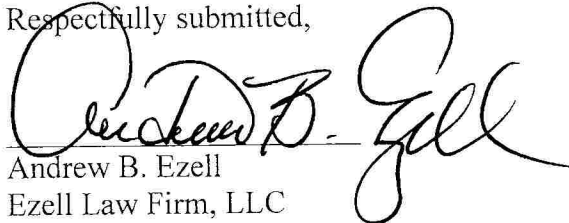
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the 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 Curtis Environmental 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 Curtis Environmental.
9. The proposed transfer would be fair and reasonable to the majority of Curtis Environmental's shareholders, as evidenced by the fact that without the consent of its shareholders Curtis Environmental 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 Curtis Environmental's 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 Curtis Environmental'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 water and wastewater systems.
12. Neither Curtis Environmental 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 water and wastewater systems are mechanical plants in design and cover six service areas. Magnolia would make necessary repairs to these facilities and add flow metering and remote monitoring equipment to all water and wastewater facilities. In addition, we plan to investigate the water and wastewater collection systems for inflow/infiltration and install additional tankage on the front end of the facilities for flow equalization and sludge holding. The system requires an evaluation of meter pits for condition/existence of meters and shutoff valves. The total estimated cost of these upgrades is approximately \$165,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject water and wastewater systems day-to-day and would

ensure the contractor's personnel have or obtain all required health, safety, and other permits.

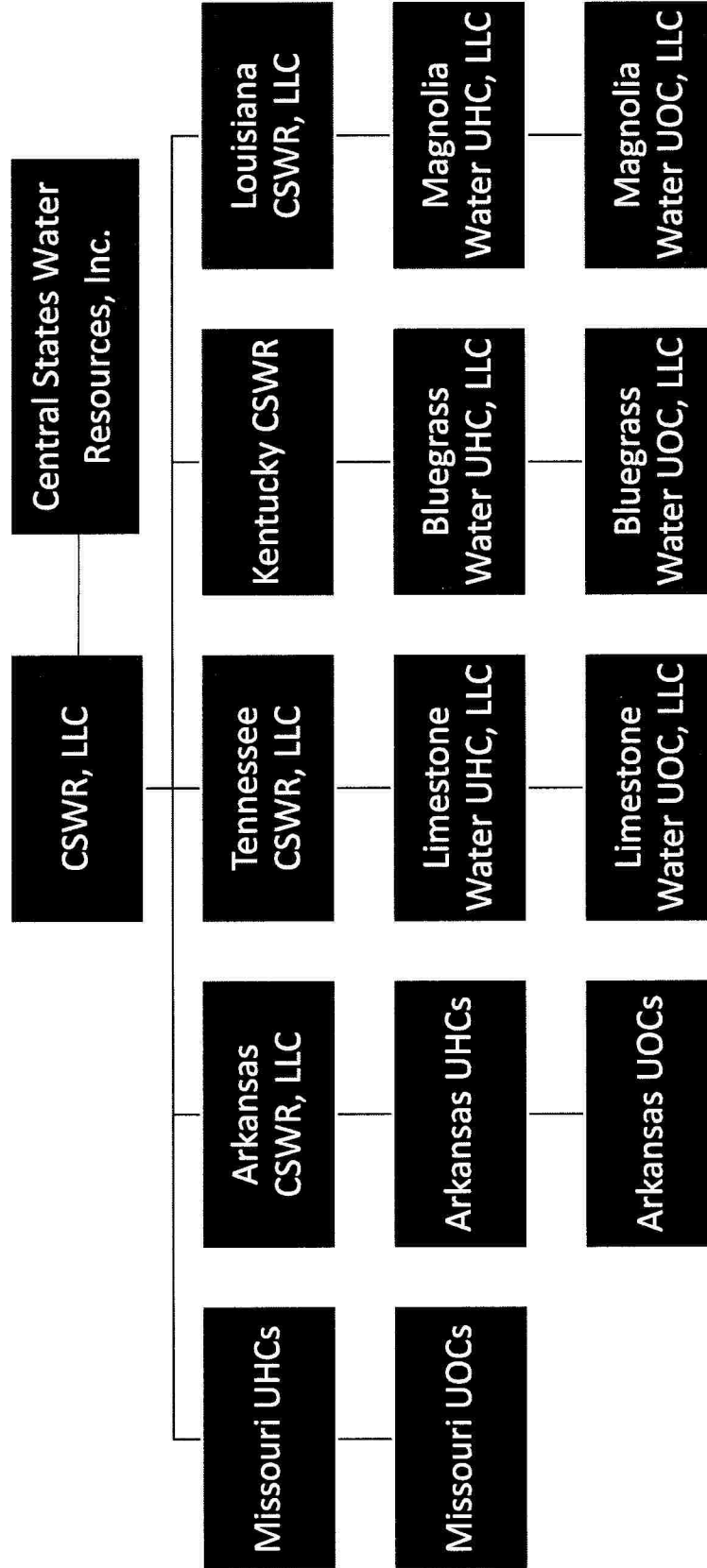
17. CSWR would invest equity capital to purchase Curtis Environmental's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect 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,



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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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