

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

In the Matter of the Application of)	
J & J Equities, LLC, and to Acquire)	
Ten Percent (10%) or More of the)	Case No. WF-2010-0041
Outstanding Capital Stock of Tri-States)	
Utility, Inc.		

STAFF RECOMMENDATION

COMES NOW Staff (Staff) of the Missouri Public Service Commission (Commission) and, for its recommendation that the Commission grant the Applicants' request for acquisition of stock, respectfully states as follows:

1. On July 28, 2009, J & J Equities, LLC (J & J or Company) filed an application with the Commission to acquire 10,000 shares of Tri-States Utility, Inc. or the remaining one-third of the shares.
2. In Case No. WF-2009-0018, the Commission approved J & J to acquire 10,000 shares of stock owned by Harold I. Epps and Sharon R. Epps (the Epps). McB Investments, LLC also acquired 10,000 shares of the Epps 30,000 shares of Tri-State Utility, Inc stock. In this case, the Company indicated to Staff that it intended on acquiring the remaining 10,000 shares of the Epps stock at a later date.
3. On July 30, 2009, the Commission issued its *Order Directing Filing* directing Staff to file no later than August 7, 2009, either its recommendation or a pleading indicating when it can file its recommendation.
4. On August 7, 2009, Staff filed its *Request to File a Recommendation* by September 9, 2009.

5. Attached hereto, labeled Exhibit A, Staff recommends the Commission approve J & J Equities, LLC *Application* for authority to acquire the remaining 10,000 shares of the outstanding capital stock of Tri-States Utility, Inc with the following condition:

- a. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions, and their effect on cost of capital, in any later proceeding.

WHEREFORE, for the foregoing reasons discussed in detail in the Staff's Memorandum, the Staff recommends the Commission issue an Order in which it approves J & J Equities, LLC Application to acquire the remaining 10,000 shares of outstanding Capital stock of Tri-States Utility, Inc. on the condition specified in paragraph 5(a).

Respectfully submitted,

/s/ Jaime N. Ott

Jaime N. Ott
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 9th day of September, 2009.

/s/ Jaime N. Ott

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WF-2010-0041, J & J Equities, LLC.

FROM: Shana Atkinson, Financial Analysis Department

/s/ Shana Atkinson 9/8/2009
Project Coordinator / Date

/s/ Jaime Ott 9/8/2009
General Counsel's Office / Date

SUBJECT: Staff Recommendation to approve the Application of J & J Equities, LLC for authority to acquire the remaining 10,000 shares, (33 1/3%) of the outstanding capital stock of Tri-States Utility, Inc.

DATE: September 8, 2009

1. **Type of Transaction:** Common stock purchase.
2. **Proposed Date of Transaction:** As soon as approval from the Commission is received.
3. **Reasons why the proposed acquisition of the stock of the public utility is not detrimental to the public interest filed:**

Yes X No
4. **A statement of the offer to purchase stock of the public utility or a copy of any agreement entered with shareholders to purchase stock reviewed:**

Yes X No
5. **Certified copy of resolution of the directors of applicants, or other legal documents authorizing the proposed transaction reviewed:**

Yes X No
9. **Recommendation of the Staff:**

 Grant by session order (see Comments)
 X Conditional Approval
 Require additional and/or revised data before approval can be granted (see Comments)
 Formal hearing required (see Comments)
 Recommend dismissal (see Comments)

COMMENTS:

J & J Equities, LLC (“J & J” or “Company”), is a limited liability company with a street and mailing address in Topeka, Kansas. The Company seeks authority from the Commission which will allow J&J to acquire the remaining 10,000 shares of the outstanding capital stock of Tri-States Utility, Inc. (“Tri-States”), a regulated water corporation providing such services to customers in Branson, Missouri. Tri-States is a Missouri chartered corporation.

Such stock, in the form of 30,000 shares, is presently owned by Harold I. Epps and Sharon R. Epps (“Epps”) (10,000 shares), J & J (10,000 shares) and McB Investments, LLC (“McB”) (10,000 shares). J & J and McB received Commission approval in Case No. WF-2009-0018 to acquire their current stock ownership of 10,000 shares each. In that case, J & J communicated to Staff that it intended to acquire the final 10,000 shares that are owned by Epps. McB would continue to own 10,000 shares of the capital stock of Tri-States after the closing of the proposed transaction. The current Application requests that the Commission issue an “Order Approving Purchase of Stock, or in the alternative, an Order Declining Jurisdiction” in light of the Commission’s previous Order Approving Sale of Stock in Case No. WF-2009-0018.” Because other Missouri water and sewer companies have completed stock transactions without seeking Commission approval, Staff is uncertain as to why this transaction would be viewed differently. Nevertheless, Staff appreciates J & J’s courtesy of filing this Application, and Staff has reviewed it with a primary focus of providing the Commission with an explanation of the transaction.

In Case No. WF-2009-0018, it was indicated to Staff that J & J and McB would initially each take a one-third equity ownership position, and eventually buy the remaining one-third from the Epps. J & J has a 50 percent ownership of McB and the other 50 percent is owned by the Terry McCullough Trust. Consequently, J & J currently has a 50 percent ownership interest (a majority ownership interest as no other party currently owns more than 33 percent). Its ownership interest after the proposed transaction would be 83.33 percent. Presently, the board of directors of Tri-States is made up of Sharon Epps, Terry McCullough, John Brown (one of the owners of J & J) and Tom Kelly (consultant of J & J). Therefore, J & J and McB have the majority votes on the board. After the proposed transaction, the board will consist of the aforementioned individuals, except for Sharon Epps.

Based on conversations Staff has had with J & J personnel, it appears that J & J continues to have access to capital. J & J currently has a line of credit with Great Southern Bank and plans to renew this line of credit.

OTHER ISSUES:

The Staff has verified that Tri-States has filed its annual report and is not delinquent on any assessment.

RECOMMENDED CONDITIONS:

Staff recommends that this Application be approved with the following condition:

That nothing in the Commission’s order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their effect on cost of capital, in any later proceeding.

Rikki Senn
Notary Public