

Exhibit No.: _____
Issue: General Information
Witness: David Stone
Sponsoring Parties: Public Water Supply District
No. 5 of Camden County,
Missouri.
Case Nos.: Case No. WA-2019-0185
and SA-2019-0186

PUBLIC WATER SUPPLY DISTRICT NO. 5 OF CAMDEN COUNTY, MISSOURI.

Case Nos. WA-2019-0185
and SA-2019-0186

DIRECT TESTIMONY

OF

DAVID STONE

Camdenton, Missouri
July, 2019

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Application of Osage Utility)
Operating Company, Inc. to Acquire Certain) Case No. WA-2019-0185
Water and Sewer Assets and for a Certificate of) and SA-2019-0186
Convenience and Necessity)

AFFIDAVIT OF DAVID L. STONE


STATE OF MISSOURI)
) ss.
COUNTY OF Miller)

I, David L. Stone, of lawful age, and being duly sworn, do hereby depose and state:

1. My name is David L. Stone. I am President of Public Water Supply District No. 5 of Camden County, Missouri.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

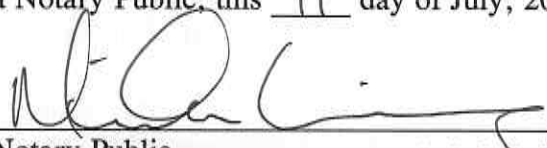
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my personal knowledge, information and belief.



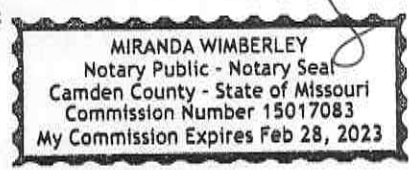
David L. Stone

Subscribed and sworn to before me, a Notary Public, this 11th day of July, 2019.

My Commission expires: 2/28/23



Notary Public



1 DIRECT TESTIMONY

2 OF

3 DAVID L. STONE

4 CASE NOS. WA-2019-0185

5 **Q. Please state your full name and the business address for the Camden County**
6 **Public Water Supply District No. 5 ("PWSD#5").**

7 A: My name is David L. Stone. The business address for PWSD#5 is P. O. Box 566,
8 Camdenton, MO 65020.

9
10 **Q. How long have you served on the board for PWSD#5?**

11 A. I have served on the board since 2010.

12
13 **Q. In what capacity do you currently serve on the board?**

14 A. I am Chairman of the board of directors.

15
16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to:

18 A. Explain the agreement between PWSD#5 and Lake Area Waste Water
19 Association, Inc. ("LAWWA") and Missouri Water Association, Inc.
20 ("MWA") with respect to the purchase of the Osage Water Company
21 assets;

22 B. Explain how the purchase of the Cedar Glen system will benefit the
23 PWSD#5;

- 1 C. Explain how the purchase of the Cedar Glen system by PWSD#5 will
2 benefit the owners at Cedar Glen Condominiums;
- 3 D. Explain how the purchase of the Cedar Glen systems by PWSD#5 will
4 benefit the public;
- 5 E. Explain the repairs and improvements PWSD#5 intends to make to the
6 Cedar Glen water and sewer systems if they fall under PWSD#5's control;
- 7 F. Explain PWSD#5's bonding authority; and
- 8 G. Explain the rate PWSD#5 would charge to the owners at Cedar Glen
9 Condominiums.

10

11 **Q. What is the agreement between PWSD5 and LAWVA and MWA with**
12 **respect to the purchase of the Osage Water Company assets?**

13 A. The PWSD#5 and LAWVA and MWA are the backup joint bidders at the
14 trustee's sale of the Osage Water Company assets. At the trustee's auction,
15 PWSD#5, LAWVA and MWA jointly bid the sum of \$800,000.00 for the
16 purchase of the Osage Water Company assets, which was matched by the
17 "Stalking Horse Purchaser", Central States (Central States assigned their interest
18 in the contract to the Applicant Osage Utility). PWSD#5 agreed to pay the sum
19 of \$640,000.00 for the Cedar Glen Condominium water and sewer systems.
20 LAWVA and MWA agreed to pay the sum of \$160,000.00 for the purchase of
21 the Chelsea Rose, Eagle Woods and Cimarron Bay water and sewer systems.

22

1 Q. Does PWSD#5 and LAWWA and MWA stand ready, willing and able to
2 purchase the Osage Water Company assets from the bankruptcy trustee?

3 A. Yes. Absolutely.

4

5 Q. What are PWSD#5's anticipated repairs and improvements to be made to the
6 Cedar Glen Water and Sewer Systems and what is the cost of the anticipated
7 repairs and improvements?

8 A. Lake Ozark Water and Sewer ("LOWS") has been maintaining the system on
9 behalf of the Receiver and Trustee of Osage Water Company for many years.
10 LOWS recommends the following repairs be made based upon DNR inspections:

11 Drinking Water System:

12 1. The Hydropneumatic tank (storage) is long past due for an inspection, clean
13 out and possible paint. The cost of the inspection will be \$2500.00, if it can be
14 completed on their route schedule. If a special trip has to be made, the cost will
15 be more as mileage will have to be paid. If a portable pressure tank is needed,
16 that will be \$2000.00. This keeps the system pressurized while the work is being
17 completed. If, the tank needs to be painted, the interior will cost \$21,000.00 and
18 the exterior will cost \$25,000.00. These price estimates include sandblasting,
19 painting and disinfection. ***This is considered a priority item and needs**

20 **immediate attention.**

21 2. Flush Valves at the end of building #1 and building #10 need to be installed.

22 These can be done separately. It is not necessary to do them both at the same time

1 unless you choose to. The estimated cost for each flush valve is \$2572.00 for a
2 total of \$5144.00 for the installation of both valves.

3 3. Tree Removal above the well house will be approximately \$700.00. ***This is**
4 **considered a priority item and needs immediate attention.**

5 4. Minor building repairs at the well house, which consists mostly of soffit and
6 fascia will be approximately \$800.00. ***This is considered a priority item and**
7 **needs immediate attention.**

8

9 Sewer System:

10 1. A new lid is needed for pump vault #3. The estimated cost for this is
11 \$300.00

12 2. Recommended upgrades to pumps in Lift Stations #1, #3 and #4. These
13 upgrades can be completed on an "as needed" basis, as the existing pumps go out
14 and we can do the upgrades. At this time, the cost per pump is estimated at
15 \$747.86, including parts and labor. If you choose to replace all 6 pumps at the
16 same time, the total estimated cost is \$4487.16.

17 3. The filter baskets in pump vaults at the sand filter are the originals and are
18 becoming brittle. These will need to be replaced at some point. At this time, the
19 estimated cost is \$837.02, including labor and material. There are 4 total, to
20 replace them all at once would be an estimated cost of \$3348.02.

21

22 **Q. How would the PWSD#5 pay for the acquisition, repair and improvement for**
23 **the Cedar Glen water and sewer systems?**

1 A. PWSD#5 has \$1.426 million of unissued bonding authority remaining which will
2 be utilized to purchase, repair and improve the Cedar Glen water and sewer
3 systems. The bonds will allow PWSD#5 to finance the costs at approximately
4 3.5% per annum. A letter from D.A. Davidson our Bonding Agent is attached as
5 Exhibit DLS 1, which states that based upon their analysis PWSD#5 would be
6 able to provide water and sewer service to the Cedar Glen condominium owners
7 at the current rate of \$78 per month.

8

9 **Q. How would the acquisition of the Cedar Glen water and sewer systems**
10 **benefit the Cedar Glen Condominium Owners?**

11 A. Cedar Glen customers would receive quality water and sewer service at a
12 reasonable rate of \$78 per month. In addition, by connecting the Cedar Glen
13 water and sewer systems to PWSD#5, Cedar Glen would have a reserve water
14 system as required by DNR. Further, PWSD#5 has met with the board of Cedar
15 Glen condominiums, which have expressed their interest in, and preference for,
16 becoming a member of PWSD#5.

17

18 **Q. How would the acquisition of the Cedar Glen water and sewer systems**
19 **benefit the PWSD#5?**

20 A. It would benefit PWSD#5 by connecting Clearwater, Cedar Heights and Cedar
21 Glen together as a connected system allowing PWSD#5 to offer services to
22 businesses and homes along the way. PWSD#5 has engineered plans for future

1 expansion that have been approved by DNR and acquiring Cedar Glen would help
2 advance those plans.

3

4 **Q. How would the acquisition of the Cedar Glen water and sewer systems**
5 **benefit the general public?**

6 A. It would provide access to a safe system of drinking water and sewage treatment
7 at a reasonable cost to Cedar Glen condominiums and other adjoining property
8 owners. It would allow expansion of the current system which would allow
9 people not currently in the district to potentially join in the future. In addition, if
10 the Cedar Glen customer's water and sewer rates are increased substantially, as
11 proposed by Osage Utility, then it will have a detrimental impact on the property
12 values of Cedar Glen and other condominium projects in the area.

13

14 **Q. Does this conclude your direct testimony?**

15 A. Yes.



June 13, 2019

Ms. Bonnie Burton
Public Water Supply District No. 5 of Camden County, Missouri
3535 US Highway 54
Osage Beach, Missouri 65065

RE: Acquisition of Cedar Glen Condominium Water and Sewer System

Dear Ms. Burton;

Late last year Public Water Supply District No. 5 of Camden County, Missouri (the "District") contacted D.A. Davidson & Co. ("Davidson") regarding the funding of the acquisition of the Cedar Glen condominium water and sewer system (the "System").

The District has been a client of ours for about 10 years. Over the years we have underwritten or placed in excess of \$2,500,000 of Combined Waterworks and Sewerage System Revenue Bonds for the District. The District has \$1,426,000 of voter authorized but unissued bonding authority remaining in addition to being able to utilize lease purchase financing. In either case, the funding would be tax exempt and bank qualified.

We understand the estimated cost to acquire and upgrade the System is ~\$800,000. Based on recent indicative pricing we estimate the interest rate for planning purposes, on a 20 year term, will be ~3.50%. Based on the foregoing the annual payment is estimated to be ≤\$59,000.

According to the most recent audit of the District (FYE December 31, 2016) and the P&L for 2017 (unaudited), the current (monthly/quarterly) rate structure for water and sewer service (\$78 per month and \$234 per quarter for both) for unit owners of Cedar Glen, it appears the Project will cash flow and a replacement and extension fund can be established and currently funded without the need for a user charge adjustment.

Please let us know if our assistance is needed in working through this process with State regulators. We look forward to doing our part to bring this undertaking by the District to a successful conclusion.

Sincerely,

D. A. DAVIDSON & CO.

By: 
Charlie Zitnik