

Exhibit No.:
Issue: *General Information
and Miscellaneous*
Witness: *David C. Roos*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case Nos.: *WM-2018-0116 and
SM-2018-0117*
Date Testimony Prepared: *November 19, 2018*

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
WATER AND SEWER DEPARTMENT

DIRECT TESTIMONY

OF

DAVID C. ROOS

CONFLUENCE RIVERS OPERATING COMPANY, INC.

CASE NOS. WM-2018-0116 and SM-2018-0117

Jefferson City, Missouri
November 2018

** Denotes Confidential Information **

1 **DIRECT TESTIMONY**

2 **OF**

3 **DAVID C. ROOS**

4 **CONFLUENCE RIVERS OPERATING COMPANY, INC.**

5 **CASE NOS. WM-2018-0116 and SM-2018-0117**

6 Q. Please state your name and business address.

7 A. My name is David C. Roos and my business address is Missouri Public Service
8 Commission, P.O. Box 360, Jefferson City, MO 65102.

9 Q. What is your position at the Missouri Public Service Commission
10 (“Commission”)?

11 A. I am a Utility Engineering Specialist III in the Commission Staff Division,
12 Water and Sewer Department.

13 Q. What is your educational background?

14 A. See Schedule DCR-d1.

15 Q. Have you made recommendations in any other cases before this Commission?

16 A. Yes. See Schedule DCR-d1.

17 Q. What is the purpose of your direct testimony?

18 A. The purpose of my testimony is to provide a summary of information
19 concerning the water and sewer utilities that Confluence Rivers Utility Operating Company,
20 Inc. (“Confluence Rivers” or “CRU”) is requesting to acquire in this case. I also provide a
21 further overview of the following companies or selling entities:

1 Evergreen Lake Water Company, The Willows Utility Company (Willows), M.P.B.,
2 Inc. (MPB), Majestic Lakes Homeowners Association, Inc. (Majestic Lakes), Mill Creek
3 Sewers, Inc. (Mill Creek), and Port Perry Service Company (Port Perry).

4 Staff witness James A. Merciel, Jr. provides an overview of the following companies
5 or selling entities in his direct testimony: Smithview H2O Company (Smithview), Calvey
6 Brook Estates Homeowners Association, Inc. (Calvey Brook Water, Inc. and Calvey Brook
7 Sewer, Inc.), Gladlo Water & Sewer Co., Inc. (Gladlo), Forest Ridge LLC, (Auburn Lake
8 Estates), Roy-L Utilities, Inc. (Roy-L) and Cole County, MO (Eugene).

9 Detailed system descriptions are provided in Staff's Memorandum filed March 6,
10 2018 ("March Recommendation"), and Staff's Supplemental Recommendation filed
11 September 17, 2018 ("September Recommendation") (collectively, Memoranda), as provided
12 in Staff witness Natelle Dietrich's testimony as Schedules ND-d2 and ND-d3, respectively.

13 Q. What summary information are you providing?

14 A. Table 1, attached as Schedule DCR-d2 summarizes the current ownership
15 status, number of customers, the current estimated cost of improvement and repairs, and
16 existing regulatory issues facing the current owners. As shown in the table, 'Seller,':

- 17 • three of the companies are in receivership,
- 18 • three companies are owned by Home Owners Associations (HOAs),
- 19 • one system is owned by a Missouri county, and
- 20 • six companies are privately owned.

21 Twelve of the thirteen acquisitions are in need of repair and improvement. Confluence Rivers
22 has provided preliminary cost estimates for the repair and system improvements ranging from

1 ** _____ ** per acquisition. The preliminary cost estimates for repairs and system
2 improvement is ** _____ ** for the twelve acquisitions. Eleven of the acquisitions have
3 current regulatory and or compliance issues as determined by either the Missouri Public
4 Service Commission (PSC or Commission), or the Missouri Department of Natural
5 Resources (DNR).

6 Q. Does Staff agree with Confluence Rivers' proposed system repairs and
7 improvements and preliminary cost estimates?

8 A. Staff has discussed with Confluence Rivers the present condition of each of the
9 systems. Staff agrees that these systems require repairs and improvements either immediately
10 or in the near future. Based on its current knowledge of the systems, Staff considers
11 Confluence Rivers' proposal to be a reasonable plan for providing safe and adequate service.
12 Confluence Rivers' preliminary cost estimates are provided in this testimony for
13 informational purposes only. Staff will review the actual costs for repair and improvements
14 during a future rate case to be filed by Confluence Rivers.

15 Q. Please explain the table entry for the MPB Villa Ridge and Lake Virginia
16 systems.

17 A. MPB is currently an "Administratively Canceled – Agent" with the Secretary
18 of State (SOS). There are no other pending cases involving MPB before the Commission.
19 MPB had past due PSC annual assessments from fiscal year 2014 and several prior years
20 before it was placed into receivership. From 2015 to the present fiscal year while in
21 receivership, MPB is current with its annual assessments, and current with annual report
22 filings. MPB has two separate wastewater treatment systems at the Villa Ridge and
23 Lake Virginia subdivisions.

1 **VILLA RIDGE**

2 The Villa Ridge sewer system has approximately 168 customer connections in the
3 Villa Ridge subdivision in Franklin County. Confluence Rivers states that the Villa Ridge
4 system has property ownership and easement issues. The wastewater treatment facility's
5 Missouri State Operating Permit, MO-0038237, was last issued on March 25, 2011, and
6 expired on March 24, 2016. This facility is currently considered to be operating without a
7 permit,¹ in violation of the Missouri Clean Water Law. Since 2007, several DNR inspections
8 of the facility have reported wastewater sludge in the receiving stream, poor operations and
9 violations of the permitted effluent limitations.² The most recent DNR inspection was
10 conducted on June 2, 2017. The facility was found to be in non-compliance with multiple
11 violations of the Missouri Clean Water Law, the Missouri Clean Water Commission
12 regulations, and MPB's Missouri State Operating Permit.

13 CRU proposes an estimated expenditure of approximately ** _____ ** for
14 improvements to address DNR's NOV's. CRU's proposed improvements for this system
15 include:

- 16 • ** _____ **
- 17 • ** _____ **
- 18 • ** _____ **
- 19 • ** _____ **
- 20 • ** _____ **

¹ Missouri Department of Natural Resources Notice of Violation #SL170206 Report of Inspection p. 1.

² Ibid p. 1.

1 **LAKE VIRGINIA**

2 The Lake Virginia sewer system has approximately 37 customer connections in
3 the Lake Virginia subdivision, located outside the city limits of Festus and north of Hematite
4 in Jefferson County. The Lake Virginia wastewater treatment facility's Missouri State
5 Operating Permit, MO-0101672, was last issued on February 22, 2008, and expired on
6 February 21, 2013. This facility is considered to be operating without a permit,³ in violation
7 of the Missouri Clean Water Law. The most recent DNR inspection was conducted on
8 March 8, 2017. The facility was found to be in non-compliance with multiple violations of the
9 Missouri Clean Water Law, the Missouri Clean Water Commission regulations, and MPB's
10 Missouri State Operating Permit.

11 CRU proposes an estimated expenditure of approximately ** _____ ** for
12 proposed improvements to address DNR's NOV's. CRU's proposed improvements for the
13 waste water system include:

- 14 • ** _____ **
- 15 • ** _____
- 16 _____ **

17 Q. Please explain the table entry for the Mill Creek.

18 A. Mill Creek is currently an "Administratively Canceled – Agent" with the SOS
19 and has been placed in receivership. There are no other pending cases involving Mill Creek
20 before the Commission. Mill Creek is current on its annual assessments through fiscal year
21 2018, and is current with filing annual reports through 2017. Mill Creek provides sewer
22 service to approximately 75 customers in the Castlereagh Estates area within the city limits of

³ Missouri Department of Natural Resources Notice of Violation #SL170134 Report of Inspection p. 1.

1 Florissant in St. Louis County. The Mill Creek wastewater treatment facility's Missouri State
2 Operating Permit MO-0084484 was last issued on March 12, 2013, and expired on
3 October 31, 2017. This facility is considered to be operating without a permit, in violation of
4 the Missouri Clean Water Law.

5 The most recent DNR inspection was conducted on August 11, 2015. Currently,
6 the facility is in non-compliance for failure to pay the annual operating permit fee. In addition,
7 the discharge from the facility does not consistently comply with permitted effluent
8 limitations for E. coli.

9 CRU proposes to immediately incur costs of ** _____ ** for an easement issue
10 regarding access to the treatment facility, ** _____ ** to reimburse the receiver for accounts
11 payable, and ** _____ ** to reimburse the receiver for system improvements
12 already undertaken. CRU estimates future capital expenses of ** _____ ** for
13 system improvements that will include upgrading the treatment facility to meet new effluent
14 limits ** _____
15 _____ . **

16 Q. Please explain the table entry for the Port Perry.

17 A. Port Perry is a privately owned, PSC regulated water and sewer utility.
18 Port Perry is current on its annual assessments through fiscal year 2018, and is current with
19 filing annual reports through 2017. Port Perry is in "Good Standing" with the SOS. Utility
20 services are currently provided to approximately 267 water customers and 107 sewer
21 customers in the Port Perry subdivision near the city of Perryville in Perry County.

1 Port Perry's DNR wastewater Operating Permit MO-0116998 was last issued on
2 December 1, 2013, and expires on November 30, 2018. An inspection was conducted by DNR
3 Staff on December 14, 2016, and the facility was found to be in compliance.

4 The Port Perry water system operates under DNR Operating Permit MO4036132.
5 DNR found it to be in compliance based on observations on December 14, 2017.

6 CRU's proposed improvements for the water system, estimated to cost ** _____

7 _____
8 _____
9 _____
10 _____
11 _____
12 _____
13 _____ **

14 Q. Please explain the table entry for the Willows.

15 A. Willows is a privately owned, PSC regulated water and sewer utility.
16 Willows is current on its annual assessments through fiscal year 2018, and is current with
17 filing annual reports through 2017. Willows is in "Good Standing" with the SOS. Willows is
18 currently providing water and sewer service to approximately 151 water customers and
19 124 sewer customers located in the Chalet City West subdivision and mobile home park in
20 Republic, Missouri.

21 The Willows wastewater treatment facility's Missouri State Operating Permit
22 MO-0052281 was last issued on June 1, 2017, and expires on June 30, 2021. Data submitted
23 to DNR shows that the effluent is discharged from the Willows wastewater treatment facility

1 failed to consistently comply with permitted effluent limitations for Biochemical Oxygen
2 Demand, E. coli, and Ammonia as Nitrogen. Staff has observed that the discharge from the
3 treatment facility appears to have discolored the soil of the drainage ditch beyond the
4 treatment facility.

5 The Willows drinking water system operates under Missouri State Operating Permit
6 MO5048099. There are no outstanding violations associated with the Willows' drinking water
7 system, but Staff has received calls from customers regarding system reliability.

8 CRU's proposed improvements for the water system, estimated to cost ** _____

9 _____
10 _____
11 _____

12 _____ .**

13 CRU's proposed improvements for the waste water system, estimated to cost

14 ** _____

15 _____ .**

16 Q. Please explain the table entry for the Evergreen Lake Water Company.

17 A. Evergreen Lake Water Company is not a registered name with the SOS. In its
18 CCN case it was stated to be a division of Evergreen Lake, Inc., which is dissolved as of
19 1996. In 1990 one of the owners of Evergreen Lake Water Company formed Evergreen
20 Lakes Water Supply Co. and although there was never any case before the Commission
21 seeking approval of a transfer of assets, this is the corporation that presently owns and
22 operates the water utility assets.

1 Evergreen Lakes Water Supply Co. (“Evergreen”) is in “Good Standing” with the
2 SOS. Evergreen is current on its annual assessments through fiscal year 2018, is current with
3 filing annual reports through 2017, and there are no other pending cases involving Evergreen
4 before the Commission.

5 Evergreen drinking water system operates under Missouri State Operating Permit
6 MO6036134. There are no outstanding violations associated with Evergreen’s drinking
7 water system.

8 Evergreen provides water service to approximately 52 customers in the Evergreen
9 Lake Subdivision near Cedar Hill, in Franklin County. This system is over thirty years old
10 and in need of repair.

11 CRU states it estimates the cost of necessary capital improvements for Evergreen to be

12 ** _____
13 _____

14 _____ . **

15 Q. Please explain the table entry for the Majestic Lakes.

16 A. Majestic Lakes is an existing water and wastewater utility located in Lincoln
17 County approximately two miles southeast of the city of Moscow Mills. It is not presently
18 regulated by the Commission, so Majestic Lakes has no obligations regarding annual
19 assessments and annual reports, and there are no other pending cases involving Majestic
20 Lakes before the Commission. The Majestic Lakes sewer system is currently under
21 enforcement action by the AGO, prohibiting further home construction and new customer
22 connections due to the insufficient structural integrity of the concrete walls in the wastewater

1 treatment facility. Majestic Lakes' water and sewer systems currently serve approximately
2 sixty residential customers.

3 The Majestic Lakes water system operates under DNR Operating Permit MO6031412.
4 DNR found it to be in compliance based on observations on February 10, 2017. The Majestic
5 Lakes' DNR wastewater Operating Permit MO-0130125 was last issued on December 1,
6 2013, and expires on November 30, 2018.

7 CRU estimates the cost of necessary capital improvements for the water system to be
8 ** _____, ** and for the sewer system to be ** _____ ** for repairs and/or
9 reconstruction. CRU proposes to ** _____

10 _____
11 _____
12 _____
13 _____
14 _____ **

15 Q. Does this conclude your direct testimony?

16 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc. to) Case No. WM-2018-0116
Acquire Certain Water and Sewer Assets, For a)
Certificate of Convenience and Necessity, and, in)
Connection Therewith, To Issue Indebtedness) and
and Encumber Assets)

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc. to) Case No. SM-2018-0117
Acquire Certain Water and Sewer Assets, For a)
Certificate of Convenience and Necessity, and, in)
Connection Therewith, To Issue Indebtedness)
and Encumber Assets)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID C. ROOS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony*; and that the same is true and correct according to his best knowledge and belief.

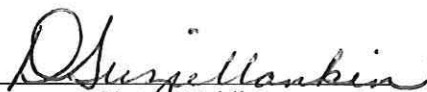
Further the Affiant sayeth not.


DAVID C. ROOS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 19th day of November 2018.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2020 Commission Number: 12412070
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Notary Public

David C. Roos

Present Position: I am a Utility Engineering Specialist III in the Water and Sewer Department, Commission Staff Division for the Missouri Public Service Commission, and formerly a Regulatory Economist III in the Energy Resources Department, Commission Staff Division for the Missouri Public Service Commission. I transferred to the position of Utility Engineering Specialist III in the Water and Sewer Department in August 2017.

Educational Background and Work Experience:

In May 1983, I graduated from the University of Notre Dame, Notre Dame, Indiana, with a Bachelor of Science Degree in Chemical Engineering. I also graduated from the University of Missouri in December 2005, with a Master of Arts in Economics. I have been employed at the Missouri Public Service Commission as a Regulatory Economist III from March 2006 through July 2017. Since August 2017, I have been employed at the Missouri Public Service Commission as a Utility Engineering Specialist III. I began my employment with the Commission in the Economics Analysis section where my responsibilities included class cost of service and rate design. In 2008, I moved to the Energy Resource Analysis section where my testimony and responsibility topics include energy efficiency, resource analysis, and fuel adjustment clauses. In 2017, I transferred to the Water and Sewer Department as a Utility Engineering Specialist III. My responsibilities include performing system inspections for rate and acquisition cases and performing special investigations related to the various regulatory requirements that affect Missouri's investor-owned water and sewer utilities and their customers.

Prior to joining the Public Service Commission, I taught introductory economics and conducted research as a graduate teaching assistant and graduate research assistant at the University of Missouri. Prior to the University of Missouri, I was employed by several private firms where I provided consulting, design, and construction oversight of environmental projects for private and public sector clients.

Previous Cases

<u>Company</u>	<u>Case No.</u>
Empire District Electric Company	ER-2006-0315
AmerenUE	ER-2007-0002
Aquila Inc.	ER-2007-0004
Kansas City Power and Light Company	ER-2007-0291
AmerenUE	EO-2007-0409
Empire District Electric Company	ER-2008-0093
Kansas City Power and Light Company	ER-2008-0034
Greater Missouri Operations	HR-2008-0340
Greater Missouri Operations	ER-2009-0091
Greater Missouri Operations	EO-2009-0115
Greater Missouri Operations	EE-2009-0237
Greater Missouri Operations	EO-2009-0431
Empire District Electric Company	ER-2010-0105
Greater Missouri Operations	EO-2010-0002
AmerenUE	ER-2010-0036
AmerenUE	ER-2010-0044
Empire District Electric Company	EO-2010-0084
Empire District Electric Company	ER-2010-0105
AmerenUE	ER-2010-0165
Greater Missouri Operations	EO-2010-0167
AmerenUE	EO-2010-0255
Greater Missouri Operations (Aquila)	EO-2008-0216
Ameren Missouri	ER-2011-0028
Empire District Electric Company	EO-2011-0066
Empire District Electric Company	EO-2011-0285
Ameren Missouri	EO-2012-0074
Greater Missouri Operations	EO-2012-0009
Ameren Missouri	EO-2012-0142
Ameren Missouri	ER-2012-0166
Greater Missouri Operations	EO-2013-0325
Ameren Missouri	EO-2013-0407
Empire District Electric Company	EO-2014-0057
Greater Missouri Operations	EO-2014-0256
Empire District Electric Company	ER-2014-0351
Greater Missouri Operations	EO-2015-0252
Kansas City Power and Light Company	EO-2015-0254
Empire District Electric Company	ER-2015-0214
Greater Missouri Operations	EO-2016-0053
Empire District Electric Company	ER-2016-0023
KCP&L Greater Missouri Operations Company	ER-2016-0156
KCPL	ER-2016-0285
Empire District Electric Company	EO-2017-0065
Greater Missouri Operations	EO-2017-0231
Liberty Utilities LLC	WR-2018-0170

SCHEDULE DCR-d2

HAVE BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY