

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

**In the Matter of the Application of J &)
J Equities, LLC, and McB Investments,)
LLC, to Acquire Ten Percent (10%) or)
More of the Outstanding Capital Stock)
of Tri-States Utility, Inc.)**

Case No. WF-2009-0018

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and, for its Staff Recommendation, states to the Missouri Public Service Commission as follows.

On July 29, 2008, the Commission ordered the Staff to file, by no later than August 7, 2008, either its recommendation in this matter or a further status report indicating when it expects to be able to file its recommendation.

Attached hereto and incorporated herein by reference as Appendix A is the Staff's Memorandum regarding the proposed transaction.

The Staff believes that the addition of J & J Equities and McB Investments will be a positive move for Tri-States Utility, Inc. The current owners, Harold I. Epps and Sharon R. Epps, are reducing their management oversight of the Company, and the proposed new owners are willing and able to fill this management function. Also, the new investors have a plan to put more workers out into the field to locate and repair potential problems in a more timely manner. This should enhance the quality of service to the consumers. Further, the cash infusion brought by the new owners will allow the Company to make needed capital improvements.

The Staff recommends that the Application be approved on the following conditions: 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.

WHEREFORE, the Staff submits its Recommendation to the Commission.

Respectfully submitted,

/s/ Keith R. Krueger

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

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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 7th day of August 2008.

/s/ Keith R. Krueger

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WF-2009-0018, J & J Equities, LLC, and McB Investments, LLC.

FROM: Ron Bible, Financial Analysis Department

/s/ Ron Bible 08/07/08

Project Coordinator / Date

/s/ Keith Krueger 08/07/08

General Counsel's Office / Date

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

DATE: August 7, 2008

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”), and McB Investments, LLC (“McB”) are limited liability companies with street and mailing addresses in Topeka, KS. They seek authority from the Commission which will allow J&J and McB to each acquire 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. Subject to the approval of the Commission, 10,000 shares will be transferred to J & J, and 10,000 shares will be transferred to McB. Harold and Sharon Epps will continue to own 10,000 shares of the capital stock of Tri-States after the closing of the proposed transaction.

Staff discussions with the companies’ representatives indicate J&J and McB will initially each take a one-third equity ownership position, and eventually buy the remaining one-third from the Epps. The equity capital will be used to build additional, and upgrade existing, Tri-State water utility infrastructure.

Tri-States is currently capitalized with ninety-eight percent debt. After the transaction, Total Debt/Total Capital credit metrics will be significantly improved, as will Funds Flow/Debt and Funds Flow/Interest. J&J and McB both acknowledged they intend this to be a long-term investment for them.

OTHER ISSUES:

The Staff has verified that the Company 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.

