

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. WM-2020-0174

FROM: Curt B. Gateley – Water and Sewer Department
David C. Roos – Water and Sewer Department
Daronn A. Williams – Water and Sewer Department
Karen Lyons – Auditing Department
Keith Majors – Auditing Department
Antonija Nieto – Auditing Department
Deborah Ann Bernsen – Customer Experience Department
Ben Rankin – Customer Experience Department

/s/ Curt B. Gateley 6-04-2020
Case Coordinator

/s/ Mark Johnson 6-04-2020
Legal Counsel

SUBJECT: Recommendation of Approval of Application

DATE: June 4, 2020

CASE BACKGROUND

On February 6, 2020, Liberty Utilities (Missouri Water) LLC, d/b/a Liberty Utilities (Liberty Utilities) filed its *Application for Authority to Acquire the Water and Sewer Franchises and Assets of Lakeland Heights Water Company, Oakbrier Water Company, R.D. Sewer Company LLC, and Whispering Hills Water System* (Application) with the Missouri Public Service Commission (Commission). The companies to be acquired are regulated utilities with Certificates of Convenience and Necessity (CCNs).

BACKGROUND OF LAKELAND HEIGHTS, OAKBRIER, R.D. SEWER, AND WHISPERING HILLS (collectively, Selling Utilities)

The Lakeland Heights Water Company, Inc. (Lakeland Heights) obtained a CCN from the Commission on May 22, 1973, in Case No. 17928. According to Liberty Utilities' response to Staff's Data Request 0002, Lakeland Heights provides water service to approximately 101 single-family residential customers. The Lakeland Heights subdivision is located in the Rockwood Point Area of the City of Wappapello, Wayne County, Missouri.

The Oakbrier Water Company, Inc. (Oarbrier) obtained a CCN from the Commission on February 6, 1989, in Case No. WA-88-128. According to Liberty Utilities' response to Staff's Data Request 0002, Oakbrier provides water service to approximately 78 single-family residential customers in the Oakbrier subdivision located in Butler County, Missouri.

** Denotes Confidential Information **

APPENDIX A

The R.D. Sewer Company LLC (R.D. Sewer) obtained a CCN from the Commission on November 2, 2008, in Case No. SO-2008-0289. According to Liberty Utilities' response to Staff's Data Request 0002, R.D. Sewer provides sewer service to approximately 176 single-family residential customers located in a subdivision in Stoddard County, near the city of Dexter, Missouri.

The Whispering Hills Water System (Whispering Hills) obtained a CCN from the Commission on September 12, 2009, in Case No. WM-2009-0436. According to Liberty Utilities' response to Staff's Data Request 0002, Whispering Hills provides water service to approximately 50 single-family residential customers, in the Whispering Hills subdivision located in Wayne County.

Rodger Owens is the designated chief operator and owner for the Selling Utilities. Mr. Owens possesses a C treatment and DSIII distribution certificate for drinking water, and holds certification #863. LaDawn Owens is the backup operator possessing a DSIII drinking water certification #14311. An operator with a DS-III certification can operate water distribution systems classified as levels DS-I, DS-II or DS-III. An operator with Drinking Water Treatment System Operator C certification can operate class D and C drinking water treatment systems. Lakeland Heights Water Company, Oakbrier Water Company, and Whispering Hills Water Company all have water systems classified as community water supplies that requires a DS-I certified operator.

Both Rodger Owens and LaDawn Owens have wastewater treatment level C certification. An operator with a level C wastewater treatment certification can operate class D and C wastewater treatment systems. R.D. Sewer's wastewater treatment system is classified as a non-POTW/ PSC regulated facility that requires a certified C operator.

BACKGROUND OF LIBERTY UTILITIES

Liberty Utilities is an existing regulated water and sewer utility currently providing water service to more than 7,000 customers and sewer service to more than 400 customers in several service areas throughout Missouri. In recent years, Liberty Utilities has acquired several small existing water and sewer systems. Liberty Utilities is a subsidiary of Algonquin Power & Utilities Corporation ("APUC") and is affiliated with other companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources.

STAFF'S INVESTIGATION

Staff from the Water and Sewer Department investigated the condition of each water and sewer system, including its performance and compliance with drinking water and environmental regulations. Staff also reviewed information from DNR's records, including operating permits, inspections, notices of violation, and letters of warning.

Staff performed an inspection of the water and sewer systems on May 12, 2020, which included an on-site review of the current condition of each system and a discussion with Liberty Utilities personnel on proposed capital improvements. Staff agrees with Liberty Utilities that these systems will require repairs and improvements. Based on its current knowledge of the systems, Staff, at this time, considers Liberty Utilities' proposals for system repairs and improvements to be a reasonable plan for providing safe and adequate service. Liberty Utilities' preliminary cost estimates are provided in this Memorandum for informational purposes only. Staff will review all investments and the actual costs for all repair and improvements during a future rate case to be filed by Liberty Utilities. Staff's review and observations are listed below each system description.

Lakeland Heights Water Company

Lakeland Heights' current monthly rates are the result of Rate Case No. WR-2012-0266, and have been in effect since December 2012. Metered water rates consist of a minimum monthly customer charge of 15.50 which includes the first 2,000 gallons, plus \$5.63 per each additional 1,000 gallons. The unmetered flat rate for customers without meters is \$46.50 per quarter.

Description of Water System

The source of water is a single well, drilled to a depth of 825 feet with 220 feet of 6-inch diameter steel casing. The well pump produces approximately 55 gallons per minute (gpm). There is one well house containing the well, master meter, pressure gauges and sampling ports. A 3-foot diameter by 72-foot tall standpipe provides water storage and pressurizes the system. It has a total capacity of approximately 3,800 gallons. No disinfection is provided for this water system. There is a separate storage shed containing water meters, pipe, and pipe fittings.

DNR Permits and Inspections

Lakeland Heights drinking water system operates under a permit to dispense Water to the Public No. MO4036069 which was last issued on March 13, 2015. The results of Staff's Sunshine Request to DNR show that the system was inspected by DNR in May 2014, February 2017, and December 2019. Each DNR inspection found that Lakeland Heights was in compliance with Section 640.100.4 of the Missouri Safe Drinking Water Statutes.

Although the most current DNR inspection found that Lakeland Heights was in compliance with Missouri Safe Drinking Water Regulations, DNR did recommend that, at a minimum, the system should have finished water storage equal to the average 24-hour day use of water at 20 psi. On average the Lakeland Heights water system uses 10,500 gallons per day, and the water system has approximately 3,800 gallons of water storage.

Staff Observations of Water System

Staff visited the Lakeland Heights water system on May 12, 2020. Staff observed that the standpipe had surface corrosion in several places along its base. The standpipe was also leaking from a bottom drain. The well house was small making access to piping difficult. The piping was galvanized with some surface corrosion and staining from past leaks. The pump starter and breaker box appeared to have been recently installed. There was no cover on the breaker box. Other system controls showed signs of age and are obsolete.

Proposed Improvements for the Water System

From Liberty Utilities' response to Staff's Data Request 0001 and discussions with Liberty Utilities personnel, Liberty Utilities anticipates improvements will be necessary for security, storage, back-up power, remote monitoring, and installing chlorination. Those improvements include the following: The well house will be replaced with a larger well house to accommodate chlorination equipment and to provide adequate space for new piping, updated system controls and remote monitoring and maintenance. The stand pipe is over 50 years old, rusting and leaking, and will be either refurbished or replaced. Back-up power may be a permanently installed standby generator or a new wiring configuration that allows for a rented generator to be used in emergencies. The current estimated cost of the anticipated improvements is \$40,000 to \$100,000, depending on the outcome of a more thorough study of storage concerns

Liberty Utilities' proposed improvements appear to be consistent with the results of Staff's document review and Staff's observations at the time of Staff's inspection.

Oakbrier Water Company Inc.

Oakbrier's current monthly water rates have been in effect since December 2012. Water rates for customers consist of a minimum monthly customer charge of \$15.07 that includes the first 2,000 gallons of water, plus \$3.39 per each additional 1,000 gallons of water.

Description of Water System

The source of water is a single well with submersible pump, and the well produces approximately 50 gallons per minute. The water system has a master meter, pressure gauges, sampling ports and a 300-gallon, galvanized hydro-pneumatic tank to normalize distribution system water pressure. The water is disinfected with sodium hypochlorite and approximately 300-feet of 8-inch diameter pipe is used for chlorine contact time. All water customers are metered.

DNR Permits and Inspections of Water System

Oakbrier's drinking water system operates under a DNR Permit to Dispense Water to the Public with identification number MO4032606 which was last issued on March 13, 2015. The results of Staff's Sunshine Request to DNR show that the system was inspected by DNR in December 2014 and October 2017. Each DNR inspection found that Oakbrier was in compliance with Section 640.100.4 of the Missouri Safe Drinking Water Statutes.

Although the most current DNR inspection found that Oakbrier was in compliance with Missouri Safe Drinking Water Regulations, DNR did note that the hydro-pneumatic is undersized for the water system and DNR recommended that Oakbrier plan for more water storage.

Staff Observations of Water System

Staff observed that the tank house had a newly constructed metal roof and siding. The interior was water damaged and deteriorated in some areas. The piping was a mix of PVC and corroded galvanized pipe. The pressure tank has some surface corrosion and has recently been patched. Wiring and tubing from the chlorinator were loosely draped over system piping. Some piping and fittings are stored in shelving along the wall. The well is located outside of the tank house and was finished above grade. There is no raw water sample tap before chlorination. A section of 3-foot diameter cylindrical cardboard concrete form (Sonotube) with a steel valve cover is used as protective casing and lid. The lid cannot be locked. Shutoff valves are below grade and are located within three feet of the well.

Proposed Improvements for the Water System

From Liberty Utilities' response to Staff's Data Request 0001 and discussions with Liberty Utilities personnel, Liberty Utilities anticipates improvements will be necessary for security, storage, back-up power, meters, remote monitoring and minor chlorination changes. These improvements include the following: A pitless adapter will be installed on the wellhead and a new lockable protective steel casing will be placed around top of the well; the pressure tank will be replaced with a new larger capacity tank; all piping for water and chlorination will be replaced; and, all wiring will be replaced to accommodate new system controls, and monitoring. The new wiring will allow for a permanently installed standby generator or configured for a rented generator to be used in emergencies. The current estimated cost of the anticipated improvements is \$80,000 to \$100,000.

Liberty Utilities' proposed improvements appear to be consistent with the results of Staff's document review and Staff's observations at the time of Staff's inspection.

Whispering Hills Water Company

Whispering Hills current monthly water rates have been in effect since September 2009. These rates are the result of the merger case WM-2009-0436. Water rates for customers consist of a minimum monthly customer charge of \$20.69 that includes the first 4,000 gallons of water, plus \$3.67 per each additional 1,000 gallons of water.

Description of Water System

The system is a community water supply that requires a DS-I certified operator. The source of water is a single well with submersible pump. The well was drilled in 1984 and is approximately 181 feet deep with a 6-inch diameter steel casing. The well pumps approximately 35 gallons per minute. The water system has three 88-gallon pressure bladder tanks to normalize distribution system water pressure. The water is disinfected with sodium hypochlorite. All water customers are metered.

DNR Permits and Inspections of Water System

Whispering Hills' drinking water system operates under a DNR Permit to Dispense Water to the Public with identification number MO4036095 which was last issued on February 11, 1999. The results of Staff's Sunshine Request to DNR show that the system was inspected by DNR in May 2014, November 2016, and February 2020. Each DNR inspection found that Whispering Hills was in compliance with Section 640.100.4 of the Missouri Safe Drinking Water Statutes.

Although the most current DNR inspection found that Whispering Hills was in compliance with Missouri Safe Drinking Water Regulations, DNR did note that there was surface corrosion on the well, piping and pressure tanks.

Staff Observations of Water System

Staff observed that the well and tank house are located in the front yard of a single family home in a residential neighborhood. Security consists of a 4-foot chain link fence, maintained by the home owner, around the perimeter of the yard. The well is finished above grade with a corroding steel protective casing that was not locked. The aboveground piping at the well head is corroded galvanized steel. The tank house was locked and in adequate shape. The piping is a mix of PVC and corroded galvanized pipe showing signs of leakage. The pressure bladder tanks have surface corrosion at their bases and along the surface of the tanks. Wiring and tubing from the chlorinator were loosely draped over system piping. Staff observed exposed electrical wiring and switches, including exposed 220-volt wiring and a motor starter.

Proposed Improvements for the Water System

From Liberty Utilities' response to Staff's Data Request 0001 and discussions with Liberty Utilities personnel, Liberty Utilities anticipates improvements will be necessary for security, storage, back-up power, remote monitoring, and meters, with other minor system improvements. Improvements include the following: all and piping for water and chlorination will be replaced; and all wiring will be replaced to accommodate new system controls and monitoring. The new wiring will allow for a permanently installed standby generator or configured for a rented generator to be used in emergencies. A pitless adapter will be installed on the wellhead and a new lockable protective steel casing will be placed around top of the well. The three 88-gallon pressure bladder tanks will be replaced with new pressurized storage. The current estimated cost of the anticipated improvements is \$100,000 over a three to five year period.

Liberty Utilities' proposed improvements appear to be consistent with the results of Staff's document review and Staff's observations at the time of Staff's inspection.

RD Sewer Company LLC

RD Sewer's current monthly service charge has been in effect since December 2012. These rates are the result of Rate Case SR-2012-0263. For a single-family residence, the rate is \$34.36 and the rate is \$27.49 per single family living quarters of a multi-family residence.

Description of Collection Sewer and Treatment System

According to the Smith Engineers and Company's Preliminary Engineering Report (2008), the collection sewers consist of approximately 5,300 feet of gravity sewer line with 15 manholes, 12,000 feet of 2-inch diameter pressure sewer line with 33 cleanouts and 20 grinder pump units, and two duplex pump lift stations with 1,000 feet of 3-inch diameter force main. Although the lift stations were designed to accommodate 2 pumps each, only one pump is installed in each lift station. The majority of the system was installed around 1980.

The wastewater treatment system is a poured-in-place concrete extended aeration plant with two aeration basins, two clarifiers and one sludge holding tank. Two blowers, connected to a 4-inch diameter steel manifold, provide compressed air to the aeration basins. Sludge is disposed of by a contract hauler. The design flow is 25,000 gallons per day and the actual flow is approximately 11,000 gallons per day.

DNR Permit and Inspections

RD Sewer wastewater treatment system's Missouri State Operating Permit MO-0096881 was last issued on September 1, 2019, and expires on June 30, 2024. The results of Staff's Sunshine Request

to DNR show that the system was inspected by DNR in April 2014, and the system was found to be in compliance with the Missouri Clean Water Law.

In June 2019, DNR inspected RD Sewer's wastewater treatment system. At the time of the inspection, the system was found to be in non-compliance with the Missouri Clean Water Law. Specifically, DNR found that the treated effluent did not meet permit limits for ammonia from December 2018 through April 2019, and E. coli limits were exceeded for the 2nd and 3rd quarters of 2018. DNR further commented that without a means for disinfection, it is unlikely that the treatment system will consistently meet the permit limits for E. coli. In response to the non-compliance findings, RD Sewer agreed to operate the aerators continuously which, in an email dated November, 12, 2019, DNR accepted as a suitable remedy to the non-compliance issue.

Staff Observations

Although there were signs of ongoing maintenance and repair, Staff observed a general state of deterioration of the physical plant. The wood safety railings around the concrete basins show signs of age and decay. The laboratory/office, storage and blower buildings all have roofs with cracked and peeling shingles and damaged siding. The blower house contains two blower units, but only one is operable. It is questionable that the one, operable, blower is adequately sized to meet the needs of the aeration basins. Several air diffusers appear to be either missing or broken.

From discussions with the current owner/operator and Liberty Utilities personnel, it is apparent that the collection system has had ongoing problems with infiltration and inflow (I&I) of groundwater and surface runoff. The current owner has made some repairs but more are needed.

Proposed Improvements for the Collection Sewers and Treatment System

From Liberty Utilities' response to Staff's Data Request 0001 and discussions with Liberty Utilities personnel, Liberty Utilities anticipates improvements will be necessary for the wastewater plant. The Company plans to install UV disinfection, make improvements to aeration equipment, study infiltration and inflow issues, and install remote monitoring equipment. Infiltration and inflow of precipitation into the collection system can interfere with the ability of the wastewater treatment system's ability to provide quality treatment, or in extreme cases can hydraulically overload the system and wash out sludge. Studying the collection system to determine how much clean water is getting in and at what locations is the first step to determining an engineering solution. The current estimated cost of the anticipated improvements is approximately \$75,000.

Liberty Utilities' proposed improvements appear to be consistent with the results of Staff's document review and Staff's observations at the time of Staff's inspection.

Depreciation

Staff recommends the use of the existing depreciation rates from the following cases: WR-2012-0266 for Lakeland Heights, WR-2012-0267 for Oakbrier, WM-2009-0436 for Whispering Hills and SR-2012-0263 for R.D. Sewer. These rates will be reviewed during the pendency of Liberty Utilities' next rate case involving these systems.

Rate Base

Staff's audit review of this application was conducted based on the following:

- Review of Company's Application filed on December 10, 2019
- Review of the Asset Purchase Agreement dated February 6, 2017
- Review of prior Commission Orders
- Review of previous Stipulation and Agreements
- Company responses to Data Requests
- Examination of past rate case work papers and the final Exhibit Modeling System

The Commission's Audit Staff requested information relating to plant additions and retirements from January 1, 2012, to the most current information available. The plant additions and retirements were included in an analysis developed by the Audit Staff known as "Build-Out Schedule." A Build-Out Schedule was developed for each individual entity. These Build-Out Schedules served as the basis for each of the rate base investments for the rate case and were used to include the additions and retirements along with the related depreciation expense in this application review. Thus, the final Build-Out Schedule for this application was used as the basis for the rate base investment valuations.

Any plant additions since the most recent rate case for each respective utility were obtained from the filed annual reports for each respective utility. Any plant additions are included in the Build-Out Schedules to the extent those additions could be verified from invoices provided in response to data requests. If a plant addition could not be verified from an invoice it was not included in the Build-Out Schedule and consequently not included in Staff's rate base valuation.

The following chart presents Staff's current quantifications of the acquired properties' net rate base valuation as of May 31, 2020:

Utility	Plant in Service	Depreciation Reserve	CIAC	CIAC Amortization	Net Rate Base
Lakeland Heights	\$ 77,971	\$ 95,885	\$ 17,709	\$ 22,621	\$ 0
Oakbrier	\$ 34,093	\$ 44,004	\$ 7,404	\$ 8,417	\$ 0
R.D. Sewer	\$ 218,703	\$ 101,290	\$ -	\$ -	\$ 117,413
Whispering Hills	\$ 32,683	\$ 36,545	\$ 3,000	\$ 2,533	\$ 0

Based on Staff’s review of the information in this proceeding, Liberty Utilities’ purchase price of ** _____ ** is above the net book value of the assets of the systems to be acquired. If the Commission approves Liberty Utilities’ request in this matter, Staff expects an updated rate base level will be necessarily established when Liberty Utilities files its next rate case. It has been Staff’s position in prior cases that utility rates for acquired properties should be based upon the remaining net book value associated with the original cost of utility plant at the time when the plant was first devoted to public use; rate base should not reflect the amount of any acquisition adjustment, either above or below net book value. Liberty Utilities has not requested recovery of any acquisition premium in this proceeding.

Publicity and Customer Notice

According to information given to Staff by Liberty Utilities, no public notification has been made regarding the proposed acquisition. Liberty Utilities states it will send a welcome letter to customers once the acquisition has been approved by the Commission. Liberty Utilities will additionally post information about the acquisition on its website at that time. As of the date of this report, no public comments have been filed in the Commission’s Electronic Filing Information System (EFIS).

Customer Service and Billing

The Selling Utilities currently maintain a business office in Bernie, Missouri, with weekday business hours. Customers are able to contact the Selling Utilities in person, by phone, or by email. Customers currently have the option to pay their bills with cash, check, or money order either in person at the local office or by mail. Many of the customers utilize the local office to pay their bills or conduct business with the Selling Utilities. Liberty Utilities will not maintain a local office in the area, but states it intends to establish a third-party payment center at an undetermined location. This will ensure that customers will still have a local facility to pay their bills. Customers will be able to pay their bills by cash, check, money order, or credit card in person at the payment center. Payments will still be able to be paid by mail and customers will have new

options to pay online or by phone. A convenience fee will be charged for online payments, but it is not clear what additional fees will be charged at the proposed third-party payment center.

Liberty Utilities presently operates a call center that will be available for customers to contact toll-free from 7am-7pm on weekdays for billing issues, and will also be available for customers to report service issues during non-business hours. Liberty Utilities will additionally be available for customers to contact by email and social media. In order to incorporate the Selling Utilities' customers into its customer service and billing systems, it will be necessary for Liberty Utilities to properly enter the appropriate customer information and current meter readings into its systems and apply the appropriate Commission-approved rate. Liberty Utilities will also need to provide training to its call center personnel regarding rates and rules applicable to the newly acquired customers so that customer service matters are handled accurately and in a timely manner.

Rate and Tariff Matters

In its Application, Liberty Utilities proposes to adopt the existing rates for the acquired companies, and apply Liberty Utilities' existing tariff rules. Staff does not support this proposal. There are sufficient differences in the rules and regulations between the two sets of tariffs that Staff recommends Liberty Utilities adopt the currently effective tariffs of Lakeland Heights, Oakbrier, R.D. Sewer, and Whispering Hills, and work towards a consolidation in the course of Liberty Utilities' next rate proceeding.

Technical, Managerial, and Financial Capacity

In studying most situations involving transfers of assets and CCNs involving existing regulated water and/or sewer systems, Staff utilizes the concepts of technical, managerial, and financial capacity, or "TMF," originally developed by the United States Environmental Protection Agency. Staff has reviewed and stated its position regarding TMF regarding Liberty Utilities in previous CCN and transfer of assets cases before the Commission. Staff again reviewed Liberty Utilities' TMF capabilities in the context of this application, and takes the position that Liberty Utilities continues to demonstrate adequate TMF capability.

Technical Capacity

As noted above, Liberty Utilities is an existing regulated water and sewer utility currently providing water service to more than 7,000 customers and sewer service to more than 400 customers in several service areas throughout Missouri. Liberty Utilities has acquired several small existing water and sewer systems, and, as a subsidiary of APUC, is affiliated with other companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources. As such, it is Staff's position that Liberty Utilities has the requisite technical capacities to acquire and operate Lakeland Heights, Oakbrier, R.D., and Whispering Hills.

Managerial Capacity

Liberty Utilities intends to incorporate Lakeland Heights Water Company, Oakbrier Water Company, R.D. Sewer Company LLC, and Whispering Hills Water System into its current billing and customer service system. Liberty Utilities' current customer service representatives will be available to take and process customer inquiries pertaining to billing and/or service issues, make necessary bill adjustments, enter into payment plans within company guidelines, interact with Staff in working with customer complaints, and manage new customer accounts and the closing of customer accounts. In the operation of its current system, Liberty Utilities has demonstrated the requisite managerial abilities to operate Lakeland Heights, Oakbrier, R.D., and Whispering Hills.

Financial Capacity

Liberty Utilities has the financial capacity to acquire and operate the Lakeland Heights Water Company, Oakbrier Water Company, R.D. Sewer Company LLC, and the Whispering Hills Water System through access to capital through its upstream affiliates. Its ultimate parent company, APUC, is a Canadian corporation that owns several electric, gas, and water utilities throughout the United States through its Liberty Utilities Company subsidiary. It is Staff's opinion, based upon its current operations and past acquisitions, that Liberty Utilities has demonstrated that it has the requisite financial capacity to acquire and operate Lakeland Heights, Oakbrier, R.D., and Whispering Hills.

Tartan Criteria

It is also customary with most cases involving a new CCN for Staff to utilize the Tartan Criteria when analyzing requests for a new CCN. While Liberty Utilities is requesting to acquire the existing CCNs of the selling systems, Staff asserts that the use of the Tartan Criteria is still appropriate. The Tartan criteria contemplate: 1) need for service; 2) the utility's qualifications; 3) the utility's financial ability; 4) the feasibility of the proposal; and 5) promotion of the public interest. Similar to the TMF capacities, in previous CCN and CCN transfer cases Staff investigated these criteria and that investigation relates to this proposed acquisition. Based on Staff's investigation, it is Staff's opinion there is 1) a need for service, as the customers are already receiving service and will continue to need that service with the improvements Liberty Utilities proposes; 2) Liberty Utilities is a qualified utility based on its current provisions of water and sewer service; 3) Liberty Utilities has demonstrated its financial ability by making appropriate investment in its current operations; 4) the proposed rates are feasible since Liberty Utilities is not requesting a change in the currently approved Commission rates; and 5) due to the positive nature of the preceding criteria, this proposed acquisition not detrimental to the public interest.

OTHER ISSUES

Liberty Utilities is current on its water and sewer PSC assessment payments, is current on its annual reports, and is in good standing with the Secretary of State's office. Lakeland Heights, Oakbrier, R.D., and Whispering Hills are current on their water and sewer PSC assessment payments, are current on their annual reports, and are in good standing with the Secretary of State's office. Liberty Utilities, Lakeland Heights, Oakbrier, R.D., and Whispering Hills have no cases pending before the Commission which would impact this Application.

STAFF'S RECOMMENDATIONS AND CONCLUSIONS

Staff's position, based on its review as described herein, is that the transfer of utility assets is not detrimental to the public interest. Staff therefore recommends approval of the transfer of assets of Lakeland Heights, Oakbrier, R.D., and Whispering Hills, transfer of the affected CCNs, subject to the conditions and actions as outlined herein:

1. Authorize Lakeland Heights, Oakbrier, R.D., and Whispering Hills to sell and transfer utility assets to Liberty Utilities, and transfer the CCNs currently held by Lakeland Heights, Oakbrier, R.D., and Whispering Hills to Liberty Utilities upon closing on any of the respective systems;
2. Upon closing of the asset transfer, authorize Lakeland Heights, Oakbrier, R.D., and Whispering Hills to cease providing service, and authorize Liberty Utilities to begin providing service;
3. Require Liberty Utilities to submit an adoption notice prior to closing on the assets, to adopt the existing Lakeland Heights, Oakbrier, and Whispering Hills tariffs;
4. Require Liberty Utilities to create and keep financial books and records for plant-in-service, revenues, and operating expenses (including invoices) in accordance with the NARUC Uniform System of Accounts;
5. Require Liberty Utilities to provide training to its call center personnel regarding rates and rules applicable to the customers acquired from the Selling Utilities, prior to the customers receiving notification of the pending acquisition;
6. Require Liberty Utilities to establish a third party local payment center and notify Staff of the location and associated payment fees within fifteen (15) days after closing on the assets;
7. Require Liberty Utilities to distribute to the newly acquired customers, prior to the first billing from Liberty Utilities, an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its utility service, consistent with the requirements of Commission Rule 20 CSR 4240-13, as well as notification regarding changes to the billing cycle, bill format, and payment options within fifteen (15) days of closing on the assets;
8. Require Liberty Utilities to provide to the CXD Staff a sample of its actual communication with its newly acquired customers regarding its acquisition and operations of the utility

assets, and how customers may reach Liberty Utilities, within fifteen (15) days after closing on the assets;

9. Require Liberty Utilities to provide to the CXD Staff a sample of five (5) billing statements for each acquired company from the first month's billing within thirty (30) days after closing on the assets;
10. Require Liberty Utilities to include the customers acquired from the Selling Utilities in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets;
11. Require Liberty Utilities to file notice in this case once the Staff Recommendations regarding staff training, payment center, informational brochure, communications, and billing are completed; and
12. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Liberty Utilities (Missouri Water), LLC) Case No. WM-2020-0174
d/b/a Liberty Utilities to Acquire the Water)
and Sewer Franchises and Assets of)
Lakeland Heights Water Company, Oakbrier)
Water Company, R.D. Sewer Company)
LLC, and Whispering Hills Water System)

**AFFIDAVIT OF CURT B. GATELEY, DAVID C. ROOS,
DARONN A. WILLIAMS, KAREN LYONS, KEITH MAJORS,
ANTONIJA NIETO, DEBORAH ANN BERNSEN, BEN RANKIN**

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW Curt B. Gateley, David C. Roos, Daronn A. Williams, Karen Lyons, Keith Majors, Antonija Nieto, Deborah Ann Bernsen, Ben Rankin, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Curt B. Gateley
Curt B. Gateley

/s/ Keith Majors
Keith Majors

/s/ David C. Roos
David C. Roos

/s/ Antonija Nieto
Antonija Nieto

/s/ Daronn A. Williams
Daronn A. Williams

/s/ Deborah Ann Bernsen
Deborah Ann Bernsen

/s/ Karen Lyons
Karen Lyons

/s/ Ben Rankin
Ben Rankin