

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 4th day of April, 2018.

In the Matter of Liberty Utilities (Missouri Water) LLC and)
Ozark International, Inc., Concerning an Agreement to)
Acquire the Assets of Bilyeu Ridge Water Company, LLC)
Midland Water Company, Inc., Moore Bend Water Utility,) **File No. WM-2018-0023**
LLC, Riverfork Water Company, Taney County Water, LLC,)
And Valley Woods Utility)

**ORDER APPROVING STIPULATION AND AGREEMENT AND GRANTING
CERTIFICATES OF CONVENIENCE AND NECESSITY**

Issue Date: April 4, 2018

Effective Date: April 14, 2018

On September 14, 2017, Liberty Utilities (Missouri Water) LLC and Ozark International, Inc. filed a joint application with the Commission seeking authority for Liberty to purchase the franchise and operating assets of each of the following wholly-owned Ozark subsidiaries: Bilyeu Ridge Water Company, LLC; Midland Water Company, Inc.; Moore Bend Water Utility, LLC; Riverfork Water Company, LLC; Taney County Water, LLC; and Valley Woods Utility (the Ozark subsidiaries are collectively referred to as the “Ozark Utilities”). All of the companies to be acquired operate water systems. Valley Woods Utility also operates a sewer system.

The Commission issued notice of the joint application and set a deadline for intervention requests. The Missouri Department of Natural Resources applied to intervene and that request was granted.

The Commission’s Staff filed its Recommendation and Memorandum regarding the joint application on January 5, 2018. Staff recommended the joint application be granted,

subject to certain conditions. However, Staff recommended Liberty Utilities not be allowed to proceed with its proposal to consolidate the tariffed rules, regulations and rate schedules of the six Ozark Utilities into a single consolidated tariff.

Liberty Utilities and Ozark did not object to the conditions proposed by Staff, but did disagree with Staff's recommendation to deny consolidation of the tariffs of the subsidiaries. Because of the disagreement, the Commission set this matter for an evidentiary hearing to be held on March 22. On March 16, all parties filed a unanimous stipulation and agreement indicating their acceptance of all aspects of Staff's Recommendation, including the conditions proposed by Staff. By the terms of Staff's recommendation, which were incorporated into the stipulation and agreement, Liberty Utilities will adopt all rates, rules, and regulations in each of the Ozark Utilities' existing tariffs.

After reviewing the stipulation and agreement, the Commission independently finds and concludes that the stipulation and agreement is a reasonable resolution of the issues addressed by the stipulation and agreement and that such stipulation and agreement should be approved. Because of the unanimous agreement of the parties, this order will be made effective in ten days.

THE COMMISSION ORDERS THAT:

1. The Unanimous Stipulation and Agreement filed on March 16, 2018, is approved as a resolution of all issues. The signatory parties are ordered to comply with the terms of the stipulation and agreement. A copy of the stipulation and agreement is attached to this order.

2. Ozark is authorized to sell and transfer the regulated utility assets and its subsidiaries' certificates of convenience and necessity to Liberty Utilities, and Liberty Utilities is authorized to provide service in the Ozark service areas as requested.

3. To the extent any acquisition premium that may result from the purchase of Ozark's regulated utility assets by Liberty Utilities exists, any related acquisition adjustment shall be excluded from rate recovery in any future rate case.

4. Consistent with Staff's recommendation to adopt all rates, rules, and regulations in each of the Ozark Utilities' existing tariffs, Liberty Utilities is authorized to apply each of the Ozark Utilities' existing rates and rules on an interim basis immediately after closing on the assets, until an adoption notice tariff sheet becomes effective.

5. Liberty Utilities shall submit an adoption notice tariff sheet for the existing tariffs within ten days after closing on the assets and as a thirty-day tariff filing for the existing Ozark Utilities' tariffs.

6. The Ozark Utilities' existing depreciation and CIAC amortization rates for water utility plant accounts are approved to apply to their respective service areas' assets.

7. If closing on the water system assets does not take place within thirty days following the effective date of this order, Liberty Utilities or Ozark, or both, shall submit a status report within five days after this thirty day period regarding the status of closing, and shall submit additional status reports within five days after each additional thirty day period, until closing takes place, or until Liberty Utilities or Ozark determines that the transfer of the assets will not occur.

8. If Liberty Utilities or Ozark determines that a transfer of the assets will not occur, Liberty Utilities shall notify the Commission of such determination no later than the

date of the next status report, as addressed in ordered paragraph 7, after that determination is made.

9. Liberty Utilities shall, within ninety days after the effective date of this order authorizing the transfer of assets, correct its books and records to reflect the adjusted plant, depreciation reserve and Contributions in Aid of Construction balances reflected in Staff's Accounting Schedules.

10. Liberty Utilities shall develop and implement, with the review and assistance of Staff, comprehensive allocation procedures to allocate costs and investments between regulated and non-regulated operations and between the various regulated entities of Liberty Utilities' corporate parent consistent with the utility's current practices.

11. Liberty Utilities shall, upon closing of the sale, take physical possession of, and maintain pursuant to regulation, any and all books and records of each Ozark entity being acquired, including, but not limited to, all financial records, plant and depreciation reserve records, invoices, purchase orders and purchase agreements, all customer billing records and customer deposit records, all payroll and employee information, etc.

12. Liberty Utilities shall develop a comprehensive time reporting system specifically designed to identify time spent and cost incurred by its personnel on each of the Ozark Utilities and other Liberty Utilities entities. This time reporting shall be developed in time for use in Liberty Utilities' next rate cases.

13. Liberty Utilities shall, within ten days after closing on the assets, provide an example of its actual communication with customers of each of the Ozark Utilities regarding Liberty Utilities' acquisition and operations of the Ozark Utilities' water system assets, and how customers may reach Liberty Utilities regarding water matters.

14. Liberty Utilities shall include the Ozark Utilities' customers in its established monthly reporting to the Customer Experience Department (CXD) staff. Such reporting has previously been ordered by the Commission and is provided by both The Empire District Electric Company and Liberty Utilities. Liberty Utilities shall include metrics for the Ozark Utilities customers in whichever individual company customer service system – either The Empire District Electric Company or Liberty Utilities – may be serving the Ozark Utilities' customers. Such reporting shall include, but is not limited to, such metrics as: a) call center staffing; b) calls offered; c) average speed of answer; d) abandoned call rate; e) number of estimated bills; f) number of consecutive estimated bills; and g) calls answered by Integrative/Interactive Voice Response Unit. Liberty Utilities shall also include the Ozark Utilities' metrics in all future service quality reporting that may be provided to Staff by Liberty Utilities or The Empire District Electric Company, or both, which can be aggregated with service quality data reported to Staff for all affiliated companies.

15. Liberty Utilities shall distribute to Ozark Utilities' customers before the first billing from Liberty Utilities an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its water and sewer service, consistent with the requirements of Commission Rule 4 CSR 240-13.040(3)(A-L).

16. Liberty Utilities shall provide to the CXD staff a sample of ten billing statements from each of the first three months of bills issued to the Ozark Utilities' customers within thirty days of such billing.

17. The Commission makes no finding that would preclude it from considering the ratemaking treatment to be afforded any matters pertaining to Liberty Utilities, including

expenditures related to the Ozark Utilities' certificated service areas and capacity adjustments, in any later proceeding.

18. This order shall be effective on April 14, 2018.
19. This file shall be closed on April 15, 2018.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Kenney, Rupp, Coleman, and
Silvey, CC., concur.

Woodruff, Chief Regulatory Law Judge

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

In the Matter of Liberty Utilities (Missouri Water) LLC and Ozark International, Inc.,)	
Concerning an Agreement to Acquire the Assets of Bilyeu Ridge Water Company, LLC,)	
Midland Water Company, Inc., Moore Bend Water Utility, LLC, Riverfork Water Company,)	File No. WM-2018-0023
Taney County Water, LLC, and Valley Woods Utility.)	

UNANIMOUS STIPULATION AND AGREEMENT

Under authority of and in accordance with 4 CSR 240-2.080 and 4 CSR 240-2.115, Liberty Utilities (Missouri Water) LLC d/b/a Liberty Utilities (“Liberty Utilities); Ozark International, Inc. (“Ozark) (on behalf of itself and its wholly-owned subsidiaries Bilyeu Ridge Water Company, LLC; Midland Water Company, Inc.; Moore Bend Water Utility, LLC; Riverfork Water Company; Taney County Water, LLC; and Valley Woods Utility (collectively “the Ozark Utilities”)), the Commission Staff (“Staff”), the Office of the Public Counsel (“the OPC”), and the Missouri Department of Natural Resources (“MDNR”) stipulate and agree as follows:

1. On September 14, 2017, Liberty Utilities and Ozark (“Joint Applicants”) filed their application seeking Commission authority for Liberty Utilities to acquire certain assets of the Ozark Utilities.

2. In its November 8, 2017, *Order Adopting Procedural Schedule*, the Commission, *inter alia*, ordered Staff to file its recommendation regarding disposition of the proposed transaction on or before January 5, 2018. In the *Staff Recommendation* filed that date, Staff generally concluded the proposed acquisition of the Ozark Utilities’ water and sewer assets by Liberty Utilities is not detrimental to the public and should be approved. More specifically, Staff

recommended the Commission take the following action with respect to the proposed transaction:

- A. Authorize Ozark to sell and transfer the regulated utility assets and its subsidiaries' certificates of convenience and necessity to Liberty Utilities, and for Liberty Utilities to provide service in the Ozark service area, as requested;
- B. To the extent any acquisition premium that may result from the purchase of Ozark's regulated utility assets by Liberty Utilities exists, require that any related acquisition adjustment be excluded from rate recovery in any future rate case;
- C. Consistent with Staff's recommendation to adopt all rates, rules, and regulations in each of the Ozark Utilities' existing tariffs, authorize Liberty to apply each of the Ozark Utilities' existing rates and rules on an interim basis immediately after closing on the assets, until an adoption notice tariff sheet becomes effective;
- D. Require Liberty Utilities to submit an adoption notice tariff sheet for the existing tariffs within ten (10) days after closing on the assets and as a 30-day tariff filing, for the existing Ozark Utilities' tariffs;
- E. Approve the Ozark Utilities' existing depreciation and CIAC amortization rates for water utility plant accounts to apply to their respective service areas' assets;
- F. If closing on the water system assets does not take place within thirty (30) days following the effective date of the Commission's order approving such, require Liberty Utilities and/or Ozark to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until either Liberty Utilities or Ozark determines that the transfer of the assets will not occur;

- G. If Liberty Utilities or Ozark determines that a transfer of the assets will not occur, require Liberty Utilities to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made;
- H. Order Liberty Utilities to, within ninety (90) days after the effective date of the Commission Report and Order authorizing the transfer of assets, correct its books and records to reflect the adjusted plant, depreciation reserve and Contributions in Aid of Construction balances reflected in Staff Accounting Schedules;
- I. Order Liberty Utilities to develop and implement, with the review and assistance of Staff, comprehensive allocation procedures to allocate costs and investments between regulated and non-regulated operations and between the various regulated entities of Liberty Utilities' corporate parent consistent with the utility's current practices;
- J. Order Liberty Utilities to, upon closing of the sale, take physical possession of and maintain pursuant to regulation, any and all books and records of each Ozark entity being acquired, including but not limited to all financial records, plant and depreciation reserve records, invoices, purchase orders and purchase agreements, all customer billing records and customer deposit records, all payroll and employee information, etc.;
- K. Direct Liberty Utilities to develop a comprehensive time reporting system specifically to identify time spent and cost incurred by its personnel on each of the Ozark Utilities and other Liberty Utilities entities. This time reporting should be developed in time for use in Liberty Utilities' next rate cases;
- L. Require Liberty Utilities, within ten (10) days after closing on the assets, to provide an example of its actual communication with customers of each of the Ozark

Utilities regarding Liberty Utilities' acquisition and operations of the Ozark Utilities' water system assets, and how customers may reach Liberty Utilities regarding water matters;

- M. Require Liberty Utilities to include the Ozark Utilities' customers in its established monthly reporting to the Customer Experience Department ("CXD") staff. Such reporting has been previously ordered by the Commission and is provided by both The Empire District Electric Company and Liberty Utilities. Liberty Utilities should be required to include metrics for the Ozark Utilities' customers in whichever individual company customer service systems – either The Empire District Electric Company or Liberty Utilities – may be serving the Ozark Utilities' customers. Such reporting includes but is not limited to such metrics as: 1) call center staffing, 2) calls offered, 3) average speed of answer, 4) abandoned call rate, 5) number of estimated bills, 6) number of consecutive estimated bills, and 7) calls answered by Integrative/Interactive Voice Response Unit. Liberty Utilities also should be required to include the Ozark Utilities' metrics in all future service quality reporting that may be provided to Staff by Liberty Utilities and/or The Empire District Electric Company, which can be aggregated with service quality data reported to Staff for all affiliated companies;
- N. Require Liberty Utilities to distribute to the Ozark Utilities' 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 water and sewer service, consistent with the requirements of Commission Rule 4 CSR 240-13.040 (2) (A-L);
- O. Require Liberty Utilities to provide to the CXD staff a sample of ten (10) billing statements from each of the first three months of bills issued to the Ozark Utilities'

customers within thirty (30) days of such billing; and

P. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to Liberty Utilities, including expenditures related to the Ozark Utilities' certificated service areas and capacity adjustments, in any later proceeding.

3. All parties support the recommendations contained in the *Staff Recommendation* and agree the Commission should approve the transaction requested by the Joint Applicants subject to the conditions and requirements listed in Paragraph 2 of this Unanimous Stipulation and Agreement ("Stipulation and Agreement").

GENERAL PROVISIONS

4. This Stipulation and Agreement is being entered into solely for the purpose of settling all issues in this case. Unless otherwise explicitly provided elsewhere in this agreement, none of the signatories will be deemed to have approved, accepted, agreed, consented, or acquiesced to any other principles or methodology except as explicitly stated, and none of the signatories will be prejudiced or bound, in any manner, by the terms of this Stipulation and Agreement (whether or not approved by the Commission) in this or in any other proceeding, other than a proceeding limited to enforce the terms of this Stipulation and Agreement.

5. This Stipulation and Agreement is the result of negotiation among the signatories, and its terms are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then it will be void and no signatory will be bound by any of its agreements or provisions.

6. If the Commission does not approve this Stipulation and Agreement without condition or modification: (i) neither this Stipulation and Agreement nor any matters associated with it will be considered a waiver of rights any signatory has for a decision in accordance with

Section 536.080, RSMo, or Article V, Section 18, of the Missouri Constitution, and the signatories will retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and (ii) any discussions, suggestions, memoranda, testimony, or exhibits offered or received in support of this Stipulation and Agreement will become privileged as reflecting the substantive content of settlement discussions, will not be subject to discovery, and will be stricken from, and not considered as part of, the administrative or evidentiary record of this case for any purpose whatsoever.

7. In the event the Commission approves the specific terms of this Stipulation and Agreement without condition or modification, the signatories waive their respective rights to: call, examine, and cross-examine witnesses under Section 536.070(2), RSMo; present oral argument and written briefs under Section 536.080.1, RSMo; require the Commission to read the transcript under Section 536.080.2, RSMo; seek rehearing under Section 386.500, RSMo; and seek judicial review under Section 386.510, RSMo. These waivers apply only to a Commission order issued in this case approving this Stipulation and Agreement without condition or modification, and only to the issues that are resolved by this Stipulation and Agreement. These waivers do not apply to matters raised in any prior or subsequent Commission proceeding involving either of the Joint Applicants or to matters not expressly addressed by this Stipulation and Agreement.

8. If requested by the Commission, Staff may file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the signatories must be served with a copy of any such suggestions or memorandum, and within five (5) days of its receipt of Staff's suggestions or memorandum would be entitled to submit to the Commission responsive suggestions or a responsive memorandum, which also must be served on all signatories. The contents of any suggestions or memorandum provided by any signatory are its own and are not

endorsed or otherwise adopted by the other signatories regardless of whether the Commission approves and adopts this Stipulation and Agreement. At any agenda meeting where this Stipulation and Agreement is to be considered by the Commission, Staff also has the right to provide whatever oral explanation the Commission requests.

WHEREFORE, the signatories respectfully request the Commission issue an order approving the terms and conditions of this Stipulation and Agreement and grant such other and further relief as it considers just in the circumstances.

Respectfully submitted,

L. Russell Mitten #27881
Dean L. Cooper #36592
Brydon, Swearingen & England, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
(572) 635-7166 (Telephone)
(573) 634-7431 (Facsimile)
rmitten@brydonlaw.com

ATTORNEYS FOR THE JOINT
APPLICANTS

Hampton Williams #65633
Acting Public Counsel
Ryan Smith #66244
Senior Counsel
Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102
(573) 751-4857 (Telephone)
(573) 751-5562 (Facsimile)
Hampton.Williams@ded.mo.gov

ATTORNEYS FOR THE OFFICE
OF THE PUBLIC COUNSEL

Jacob T. Westen #65265
Deputy Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-5472 (Telephone)
(573) 526-6969 (Facsimile)
Jacob.westen@psc.mo.gov

ATTORNEY FOR THE STAFF OF
THE MISSOURI PUBLIC
COMMISSION

Don Willoh #44331
Deputy General Counsel
Missouri Department of Natural
Resources
General Counsel's Office
1101 Riverside Drive
P.O. Box 176
Jefferson City, MO 65102
(573) 751-5464 (Telephone)
(573) 526-3444 (Facsimile)
don.willoh@dnr.mo.gov

ATTORNEY FOR THE MISSOURI
DEPARTMENT OF NATURAL
RESOURCES

CERTIFICATE OF SERVICE

I certify a copy of this Non-Unanimous Stipulation and Agreement was served, via email, on all parties of record this 16th day of March 2018.

/s/ L. Russell Mitten

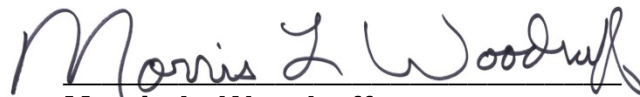
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 4th day of April 2018.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

April 4, 2018

File/Case No. WM-2018-0023

Missouri Public Service Commission
Staff Counsel Department
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Office of the Public Counsel
Hampton Williams
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opcservice@ded.mo.gov

Bilyeu Ridge Water Company, LLC
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Bilyeu Ridge Water Company, LLC
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Liberty Utilities
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Liberty Utilities
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Midland Water Company, Inc.
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Midland Water Company, Inc.
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Missouri Department of Natural Resources
Don Willloh
1101 Riverside Drive
P.O. Box 176
Jefferson City, MO 65102-0176
don.willoh@dnr.mo.gov

Missouri Public Service Commission
Jacob Westen
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
jacob.westen@psc.mo.gov

Moore Bend Water Utility, LLC
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Moore Bend Water Utility, LLC
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Ozark International, Inc.
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Ozark International, Inc.
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Riverfork Water Company
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Riverfork Water Company
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Taney County Water, LLC
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Taney County Water, LLC
Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
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Valley Woods Utility, LLC
Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
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Russ Mitten
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102
rmitten@brydonlaw.com

Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



Morris L. Woodruff
Secretary

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.