

Exhibit No.: _____
Issue: Overview of Asset Transfer
Agreement and
Public Interest
Witness: John R. Summers
Sponsoring Party: The Meadows Water Company,
North Suburban Public Utility
Company and the City of Willard
Case No.: Case No. WO-2007-0424

THE MEADOWS WATER COMPANY, NORTH SUBURBAN PUBLIC UTILITY COMPANY AND
THE CITY OF WILLARD

Case No. WO-2007-0424

DIRECT TESTIMONY

OF

JOHN R. SUMMERS

Lake Ozark, Missouri
September, 2007

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

In the matter of the Application of)
The Meadows Water Company, North)
Suburban Public Utility Company)
and the City of Willard, Missouri)
for an order authorizing the Sale,)
Transfer and Assignment of Water and)
Sewer Assets to the City of Willard)
and in connection therewith)
certain other related transactions.)

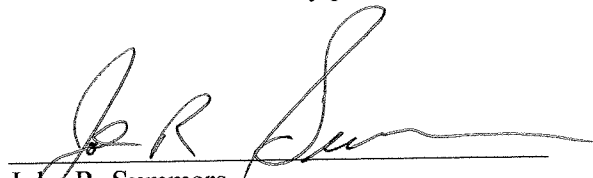
Case No. WO-2007-0424

AFFIDAVIT OF JOHN R. SUMMERS

STATE OF MISSOURI)
) ss.
COUNTY OF Miller)


I, John R. Summers, of lawful age, being duly sworn, do hereby depose and state:

1. My name is John R. Summers. I am the General Manager for Public Water Supply District Number Four 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.



John R. Summers

Subscribed and sworn to before me, a Notary Public, this 17th day of September, 2007.



Notary Public



KIMBERLY L. SPICKARD
My Commission Expires
August 28, 2010
Miller County
Commission #06398053

1 DIRECT TESTIMONY OF JOHN R. SUMMERS

2 Q. **What is your name and your business address?**

3 A. My name is John R. Summers. My business address is in care of The Meadows
4 Water Company, P.O. Box 9, Lake Ozark, MO 65049.

5
6 Q. **How are you employed Mr. Summers?**

7 A. I am the General Manager for Public Water Supply District Number Four of
8 Camden County which has a contractual agreement to manage The Meadows
9 Water Company (The Meadows) and North Suburban Public Utility Company
10 (North Suburban). In that capacity I am in charge of the day to day management
11 and administration of each of these companies.

12
13 Q. **Would you please provide your education and experience for the**
14 **Commission?**

15 A. I have attached JRS Schedule 1 which sets out my education and work
16 experience.

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

19 A. I will describe for the Commission the major points of the two agreements
20 attached to the application in this case. Additionally, I will be briefly addressing
21 how approval of this asset transfer will benefit the public interest. Mr. Fred
22 Gress, City Administrator for the City of Willard, the co-applicant in this case,

1 will also be filing separate testimony which discusses public interest
2 considerations in addition to other issues.

3

4 ***The Agreements***

5 Q. **Attached to the application are two appendices, Mr. Summers. Would you**
6 **describe them for the Commission?**

7 A. Appendix 1 is an agreement between The Meadows and the City of Willard in
8 which The Meadows has agreed to sell and the City has agreed to buy the assets
9 which are used and useful by The Meadows in the provision of water and sewer
10 service. Appendix 2 is an agreement between North Suburban and the City in
11 which North Suburban has agreed to sell and convey, and the City has agreed to
12 purchase, several parcels of real estate specifically described in the agreement.

13

14 Q. **What items are to be sold and transferred under the agreement marked as**
15 **Appendix 1?**

16 A. The Meadows is transferring to the City essentially all of its assets with the
17 exception of cash and bank deposits. Those assets are fully described in
18 Appendix 1 and include:

- 19 1. Wells, pumps, pump houses, valves, hydrants, storage and
20 transmission facilities and water meters for the water system
21 2. All sewer mains, interceptors, valves and valve boxes, service
22 connections from the mains to the property line, manholes, manhole

1 covers, lift stations, and any other piece of equipment which is part of the
2 company's wastewater collection, treatment and disposal system.

3 3. All easements of record in which these assets may be located.

4 4. The real estate on which the sewage treatment lagoon is located.

5 5. The Company is also transferring a variety of books and records
6 associated with the maintenance and operation of the assets.

7

8 **Q. What is the purchase price for the assets described in Appendix 1?**

9 A. The City has agreed to pay One Million Two Hundred Thousand Dollars
10 (\$1,200,000) plus an additional amount based on outstanding accounts receivable
11 and unbilled charges minus certain pro rations. The formula for computing the
12 amount of the purchase price over \$1.2 Million is set out in the agreement.

13

14 **Q. What items are to be sold and transferred under the agreement marked as**
15 **Appendix 2?**

16 A. North Suburban will sell, transfer and assign to Willard, and Willard will acquire
17 from North Suburban, certain described tracts of real estate and the buildings and
18 improvements located on that real estate. In connection with this transaction,
19 North Suburban has also agreed to transfer without charge certain other parcels of
20 real property and improvements thereon to the City. These donated parcels of real
21 property have never been considered part of the regulated company's assets for
22 ratemaking purposes but they are part of the overall transaction. The Company

1 has mentioned these parcels in the application so the Commission can see the
2 scope of the contracts.

3

4 **Q. What is the purchase price for the real estate described in Appendix 2?**

5 A. The purchase price is Three Hundred Thousand Dollars subject to the City's
6 review and approval of an appraisal of the property.

7

8 *Description of the water and sewer systems.*

9 **Q. Mr. Summers, I have a few questions about the condition of the water and**
10 **sewer systems in general. First, could you tell me when these systems were**
11 **installed?**

12 A. It is my understanding construction of the facilities began in the early to mid
13 1970's by the developer of The Meadows and Villa Park Subdivision. These
14 subdivisions remain the primary sewer customers today. Various water extensions
15 have been made over the years to bring the system to its current configuration.

16

17 **Q. Were the systems professionally designed?**

18 A. Yes, I believe the engineering firm of Scott Consulting Engineers of Springfield,
19 Missouri was engaged to design the original systems and to handle permitting
20 from the Missouri Department of Natural Resources (DNR). Construction
21 permits were issued by DNR and the systems were fully operational in
22 approximately 1986.

23

1 **Q. How many customers are served by each system.**

2 A. Currently there are approximately 271 customers connected to the wastewater
3 system and approximately 1135 customers connected to the water distribution
4 system. The systems have sufficient capacity to safely, reliably and adequately
5 serve the customers within the company's service area.

6

7 **Q. Is either system operating under a notice of violation from DNR or any other**
8 **agency?**

9 A. No, they are not.

10

11 **Q. Has the DNR reported unsatisfactory conditions about either system in any**
12 **recent inspection. If so, what conditions were noted and have there been**
13 **steps taken to rectify the problems?**

14 A. No unsatisfactory conditions have been reported by DNR or any other agency.
15 Both systems are in compliance with DNR, EPA and all state and local
16 Department of Health regulations.

17

18 ***Public Interest***

19 **Q. Mr. Summers, will the sale of the assets pursuant to the agreements attached**
20 **to the application be detrimental to the public interest?**

21 A. It is my opinion that the sale will not be detrimental to the public interest and in
22 fact will be beneficial to the public. The buyer of these facilities is a municipality
23 of the state of Missouri which has staff and administration in place already to

1 manage the systems at the level of efficiency and at the standards of quality
2 environmental agencies demand. Rates and charges for service will be set and
3 adjusted subject to participation by the public in accord with applicable statutes.
4 Also, if the assets are under City ownership and control, there will be no barrier to
5 extensions of those systems to handle growth and development in the
6 geographical area the facilities have served.

7

8 **Q. Has the Meadows been restricted in extending its facilities?**

9 A. Greene County's zoning ordinance in essence forbids expansion of any privately
10 owned sewer utilities in the county. The Meadows attempted to expand its
11 wastewater facilities in 2001 and Greene County blocked this expansion on the
12 basis of its zoning regulations. The Meadows thus considers itself subject to the
13 county zoning ordinance and accordingly has not offered to extend or expand its
14 facilities since its last attempt in 2001 even though development within its
15 certificated area was and is highly likely and such service has been requested. If
16 the wastewater assets are owned by the City, the Greene County zoning
17 ordinances allow a public (municipal or county owned) wastewater system to be
18 expanded. The City can use the facilities toward orderly growth in its
19 incorporated area and in some areas outside its existing corporate boundary and
20 be in compliance with Greene County zoning regulations.

21

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

23 A. Yes.

JRS Schedule 1

Education:

Bachelor of Science in Accounting, Missouri Valley College

Master of Business Administration, Rockhurst University

Continuing Education:

Edison Electric Institute Electric Rate Fundamentals Course, Indiana University
Graduate School of Business

Principles of Public Utilities Operations and Management, Public Utilities
Reports

Work Experience:

Missouri Public Service Company, Accountant to Vice President of
Administration

Evercom, Inc., Chief Financial Officer and Vice President Operations

Public Water Supply District Number Four of Camden County, General Manager