

Exhibit No.: _____

Issues: Public Interest

Witness: Glen Justis

Sponsoring Party: Lake Perry Lot Owners Association

Type of Exhibit: Rebuttal Testimony

Case Nos.: WA-2019-0299

Date Testimony Prepared: August 23, 2019

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

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc.)
For Authority to Acquire Certain Water and)
Sewer Assets and for a Certificate of Convenience)
And Necessity)

Case No. WA-2019-0299
Case No. SA-2019-0300

**REBUTTAL TESTIMONY OF
GLEN JUSTIS
ON BEHALF OF THE
LAKE PERRY LOT OWNERS ASSOCIATION
AUGUST 23, 2019**

LPLOA Exhibit No. 307
Date 10/17/19 Reporter JMB
File No. WA-2019-0299

1 **Q. What is your name?**

2 A. My full legal name is Paul Glenden Justis, Jr. I am commonly known by the name Glen
3 Justis.

4 **Q. On behalf of what party in this case are you testifying?**

5 A. I am testifying on behalf of the Lake Perry Lot Owner's Association (LPLOA).

6 **Q. What is your education and professional background?**

7 A. I have a Bachelor of Science degree in engineering from the University of Missouri-Rolla
8 and a Master of Business Administration degree from Webster University in St. Louis. I
9 have also completed executive education at the University of Pennsylvania's Wharton
10 School, and through the Association to Advance Collegiate Schools of Business (AACSB).
11 I have worked in industry and consulting roles connected with the utility industry since
12 1986. My experience includes sixteen years at Ameren (including its predecessor
13 companies), seven years at R. W. Beck Inc., three years at Deloitte and Touche, LLP and
14 six years with Experience on Demand, LLC. I currently head the Energy and Utilities
15 practice at Experience on Demand. I also periodically serve as an adjunct professor at
16 Webster University in St. Louis, teaching MBA-level courses relating to operations and
17 project management.

18 **Q. What is your experience with community organizations that provide utility services?**

19 A. Prior to its acquisition by Science Applications International Corporation (SAIC) in 2009,
20 R. W. Beck was one of the nation's leading independent consulting firms serving municipal
21 and community-based electric, water, and wastewater utilities. While I have served many

1 forms of utilities across the U.S. and Canada, my largest body of work has been with
2 municipal and consumer-owned utilities. During my time at Deloitte & Touche I continued
3 to work with utilities and gained additional experience working with financial institutions.
4 This includes consulting work for CoBank, the nation's leading bank specializing in loan
5 programs for the improvement of rural utility systems.

6 **Q. Do you have additional forms of expertise that are relevant in this case?**

7 A. Yes. A significant portion of my industry and consulting work has been in the field of risk
8 management and business analytics. I have extensive experience helping organizations
9 identify, analyze, and plan for the key strategic, operational, and financial risks they may
10 face. In addition to hands-on work, I have delivered many presentations on this topic at a
11 variety of utility industry conferences and training sessions.

12 **Q. What is your experience in assisting with the development of business plans?**

13 A. My work in industry has included the development of business plans and financial
14 projections for various corporate entities. One of my specialties at Experience on Demand
15 as a consultant is to assist clients across multiple industries in developing business plans.

16 **Q. What is your experience in reviewing and assessing business financial statements and
17 associated business performance?**

18 A. Most of my work in assisting clients with business plans includes the development of
19 projected financial statements. I also have extensive education and experience in reviewing
20 corporate income statements, balance sheets, and cash flow statements to assess financial
21 performance.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to demonstrate to the Commission that the acquisition of
3 Port Perry Service Company (PPSC) by Confluence Rivers is detrimental to the public
4 interest.

5 **Q. Who is the “public” in this case?**

6 A. The public in this case primarily consists of the lot owners in the Lake Perry community
7 (Lake Perry) and nearby persons currently served by PPSC.

8 **Q. How would the acquisition of PPSC by Confluence Rivers harm the public?**

9 A. It would harm the public because 1) the public does not want the acquisition to occur, 2) it
10 would reduce local control and influence on utility operations and investments, 3) it would
11 likely lead to unnecessary service disruptions caused by accelerated and excessive changes
12 to the water and wastewater systems, 4) it would likely lead to significantly higher rates
13 than other known and feasible alternatives, and 5) the Application is excessively open-
14 ended and causes undue uncertainty (risk).

15 **Q. Please summarize your testimony.**

16 A. I was hired by LPLOA to assist Lake Perry in evaluating the Application in this case and
17 assisting with the development of a business plan to evaluate alternatives to the
18 Application. In conducting my work, it quickly became apparent that multiple aspects of
19 the Application are indeed detrimental to the public interest. In consultation with LPLOA,
20 I determined that an appropriate approach to assessing the harm caused by the Application
21 was to assist Lake Perry in evaluating the feasibility of acquiring and operating the Lake

1 Perry water and wastewater systems, as an alternative, for the benefit of the community
2 and adjacent customers. Lake Perry recently formed Lake Perry Service Company (LPSC)
3 for the specific purpose of acquiring and operating the Lake Perry water and wastewater
4 systems. So not only does the business plan provide a point of comparison for how the
5 Application is detrimental to the public interest, it also demonstrates the existence of a
6 viable alternative. The business plan provides strong evidence that feasible alternatives
7 exist that are better in multiple respects than the plan embodied in the Application. LPSC's
8 business plan demonstrates the level of commitment and preparedness of LPSC to
9 successfully acquire and operate the water and wastewater systems currently owned by
10 PPSC. Lake Perry desires to have water and wastewater services that are 1) locally
11 controlled and managed, 2) high quality in terms of water quality and customer service,
12 and 3) provided at reasonable and affordable rates. Approval of the Application would
13 harm the public because 1) the public does not want the acquisition to occur, 2) it would
14 reduce local control and influence on utility operations and investments, 3) it would likely
15 lead to unnecessary service disruptions caused by accelerated and excessive changes to the
16 water and wastewater systems, 4) it would likely lead to significantly higher rates than
17 other known and feasible alternatives, and 5) the Application is excessively open-ended
18 and causes undue uncertainty (risk). Based on these facts, it is understandable why Lake
19 Perry is opposed to the transfer of its water and wastewater systems to Confluence Rivers.
20 For these reasons, the Application is detrimental to the public interest and should be denied.

21 **Q. Please briefly describe your role in assisting the Lake Perry Lot Owners Association.**

22 **A.** My role is to assist LPLOA in developing a business plan to help them evaluate and prepare
23 for the eventual acquisition of PPSC's assets for the benefit of the community. A copy of

1 LPSC's business plan is provided in Schedule GJ-01. In addition to the business plan, my
2 role is to provide general advisory services to LPLOA and to provide my professional
3 opinion through this testimony.

4 **Q. In your expert opinion, is LPSC a stable and concerned nonprofit corporation**
5 **controlled by the homeowners' association LPLOA?**

6 A. Yes. LPSC has been formally established as a Missouri corporation. It has formal bylaws
7 and a board of directors. It is both concerned with and dedicated to the benefit of Lake
8 Perry. It has a clear funding and business plan.

9 **Q. What is the purpose of LPSC's business plan?**

10 A. The purpose of LPSC's business plan is to evaluate the feasibility and benefits of acquiring
11 the utility assets of PPSC and to begin preparations for operating the utility for the benefit
12 of the community. Lake Perry has a genuine interest in and is fully prepared for operating
13 and investing in the Lake Perry water and wastewater systems. The business plan not only
14 demonstrates their commitment to provide the services, but also creates important
15 information that will help them initiate operations and properly maintain the system for the
16 benefit of the community. Additionally, through the research and analysis conducted to
17 develop the business plan, LPSC has identified opportunities for highly attractive financing
18 to support its acquisition of the systems and to provide for future investment in them.
19 Finally, the analysis conducted in preparing the business plan indicates that rates under
20 Confluence Rivers are likely to be significantly higher than if LPSC was to acquire and
21 operate the systems.

1 **Q. Have changes been made to LPSC's business plan since the February version? If so,**
2 **please describe the changes.**

3 A. Yes. LPSC's business plan, like most high-quality plans, is dynamic in nature. For
4 business plans to be most effective in supporting successful business initiatives, the plans
5 should be updated as new information arises. The primary changes in LPSC's business
6 plan since the February version include: 1) update of the assumed dates of funding and
7 beginning of operations, 2) update to the specifics of the funding plan, 3) inclusion of
8 selected historical data, and 4) miscellaneous minor refinements to improve accuracy and
9 clarity.

10 **Q. Were commonly accepted processes utilized in developing the business plan?**

11 A. Yes. While business plans can differ in terms of their length and content, high-quality
12 plans generally include a description of the business, key operating parameters, services,
13 customers, financial projections, and action items necessary to successfully implement the
14 plan. In addition, if capital investments are expected, the business plan will typically
15 identify the timing and amounts of such capital along with potential sources. Finally,
16 potential pricing (or in this case rates) is evaluated for the intended products and services
17 in order to assess affordability and to confirm that all costs are covered, and financial goals
18 attained. All of these components of a traditional, high-quality business plan are included
19 in LPSC's plan.

20 **Q. What were the critical factors in development of the business plan?**

21 A. Multiple critical factors exist that should be incorporated in a high-quality business plan.
22 These include, but are not limited to, an understanding of customers and volume of services

1 to be provided; the ongoing operating costs necessary to provide the services; potential
2 capital investments necessary to ensure continued service in full accordance with laws and
3 regulations; the availability and cost of capital that may be needed to fund capital
4 investments; identification of human, process, and technology resources necessary to
5 operate the business; and identification of near-term tasks that must be completed to initiate
6 operations. These and additional factors are included in LPSC's business plan.

7 **Q. What is the assumed level of system improvements in LPSC's plan?**

8 A. LPSC's current business plan assumes a total of \$670,000 in improvements. This figure
9 includes \$40,000 in near-term repairs, improvements, and system analyses, plus \$630,000
10 of assumed investments in future years.

11 **Q. What is the basis for these assumptions?**

12 A. The assumed capital expenditures are based on the Preliminary Engineering Report
13 Summary dated 1/7/19 provided by Mr. Chad Sayre of Allstate Consultants. This formal
14 sealed engineering report provides a description of the system, its compliance status with
15 Missouri Department of Natural Resources (MDNR) requirements, and a listing of
16 recommended and potential capital investments that may be needed for the system.
17 Importantly (and contrary to statements made by Confluence Rivers), the water and
18 wastewater systems currently serving Lake Perry fully comply with MDNR requirements.
19 No major capital investments are immediately needed. However, while not required for
20 environmental compliance, LPSC recognizes that certain improvements may be beneficial
21 and has included them in the business plan. LPSC plans to hire a professional engineering
22 firm to perform a more detailed hydraulic and system engineering study to provide

1 additional information on the condition of the system and associated hydraulic parameters.
2 LPSC will then develop a final capital plan in accordance with community needs and
3 regulatory requirements.

4 **Q. Could capital investments for the system be less than \$670,000?**

5 A. Absolutely. The \$670,000 is intended to be a conservative preliminary figure to support
6 development of the business plan and to forecast potential future revenue requirements.
7 We expect that opportunities will be identified to fully satisfy future customer service needs
8 and environmental requirements at lower cost.

9 **Q. What level of capital investment is necessary for ongoing operations?**

10 A. As indicated in Mr. Sayre's report, no major capital investments are immediately required
11 for continued operation in the near-term, other than minor repair items. The cost for repairs
12 is modest and is assumed to be \$10,000 for planning purposes.

13 **Q. What is the basis of the projected rates in LPSC's business plan?**

14 A. Like most non-profit corporations, LPSC intends to set prices (rates) to cover operating
15 costs and debt service, and to provide for sufficient cash flow to maintain positive cash
16 balances. The rates currently reflected in LPSC's business plan also provide for reasonable
17 accumulation of cash to establish reserves to help fund future capital investments needs
18 should they arise.

19 **Q. What is LPSC's expected cost of capital?**

20 A. Based on communications Mr. DeWilde has had with banks able to provide both private
21 loans as well as USDA Rural Development-backed loans, the business plan reflects LPSC's

1 ability to obtain funding at very attractive rates. As discussed in Mr. DeWilde's testimony,
2 LPSC's funding plan consists of the following components:

3 a) LPSC will invite private investors, invited from among the public, to invest a total of
4 approximately \$300,000 in LPSC for a three-year term. A fixed return on their investment
5 will be provided that is tied to the amount each party invests. As stated by Mr. DeWilde
6 in his rebuttal testimony, investment commitments exceeding the \$300,000 have already
7 been received. We currently expect the average return to be paid to investors is
8 approximately 7.5%.

9 b) LPSC will use the \$300,000 to purchase an interest-bearing certificate of deposit (CD)
10 from a bank. Interest on the CD will be used to offset investor payments. We currently
11 expect the CD to produce a return of 2.5%.

12 c) The bank will make a \$300,000 interest-only loan to LPSC at 3.65%. The net cost of
13 capital to LPSC of a) through c) is approximately 8.65%.

14 d) After approximately three years after establishing its credit history, LPSC will refinance
15 the bank loan using a USDA-backed rural development loan or similar instrument. Such
16 loans are readily available. Current interest rates for USDA programs to improve rural
17 water systems are approximately 4%. At that time LPSC will redeem the CD and repay
18 the investors. Planned future capital investments will be funded using a combination of
19 cash and additional USDA-backed loans.

20 In aggregate, the business plan projects LPSC's weighted average cost of capital (WACC)
21 over its first ten years of operation to be approximately 6%. In my professional view, this
22 plan is highly attractive and feasible. Most notably, under all assumed capital investment

1 plans, this cost of capital will allow LPSC to serve Lake Perry at lower rates than what will
2 be possible under Confluence Rivers' expected WACC.

3 **Q. What are your conclusions from assisting Lake Perry with development of its business**
4 **plan?**

5 A. My conclusions are as follows: Lake Perry is highly concerned with loss of local control,
6 potential customer service degradation, and potentially egregious rate increases if
7 Confluence Rivers is allowed to acquire PPSC's assets. Lake Perry is aware of multiple
8 instances of unnecessary levels of customer service disruptions and egregious rate
9 increases experienced by other communities who have had their water and wastewater
10 systems acquired by Central States Water Resources (CSWR), the parent company of
11 Confluence Rivers. These concerns have led Lake Perry to invest in the engineering study
12 and the business plan, and to take significant additional steps in preparing for successful
13 operation of the water and wastewater systems. In view of the nonprofit nature of LPSC,
14 along with its expected highly attractive cost of capital, LPSC is very well positioned to
15 provide services to Lake Perry at lower rates than is likely to occur under Confluence
16 Rivers. By maintaining local control, Lake Perry can be assured that future capital
17 investments are properly considered with public input and completed at the lowest cost
18 possible, and can avoid the risk of having a for-profit third party potentially attempt to
19 gold-plate future system improvements (many of which may not even be necessary) and/or
20 engage in self-dealing practices whereby financing and/or operating costs are artificially
21 inflated for the purpose of their own enrichment.

1 **Q. What is your view of the statement made by Mr. Cox in his testimony that “current**
2 **rates for Port Perry do not reflect the current cost of providing service” (page 14, line**
3 **22)?**

4 A. I have reviewed PPSC’s annual reports filed with the Commission from 2016, 2017, and
5 2018. While 2016 and 2017 show net losses, 2018 shows a net profit. I also notice that
6 costs and revenues for wastewater services fluctuate quite a bit. While I understand how
7 costs might fluctuate to the level observed for water services, the fluctuations in sewer
8 costs and revenue is curious and suggests potential uncertainty and/or discrepancies in
9 reported costs. Based on the combination of these facts, I do not agree that PPSC is
10 necessarily providing service “below cost.” Mr. Sayre similarly concludes in his
11 Preliminary Engineering Report Summary that “it appears the current systems operate in a
12 solvent manner” (paragraph 2.01h).

13 **Q. If we take PPSC’s annual reports at face value for 2016 through 2018, what would**
14 **rates need to be for PPSC to cover their reported costs?**

15 A. PPSC shows a total net loss for 2016 through 2018 of (\$17,319). It would require a modest
16 increase in revenue of approximately 5.6% for these years for PPSC to break even.

17 **Q. What are the factors that distinguish LPSC’s business plan from the business plan of**
18 **Confluence Rivers?**

19 A. LPSC has a clear and feasible business plan with an attractive WACC. I have not seen any
20 evidence that a business plan or the equivalent thereof exists for Confluence Rivers’
21 proposed acquisition of PPSC’s assets. In the Direct Testimony of Todd Thomas in the
22 prior case (File No. WM-2018-0116, at page 22, lines 12 and 13), Mr. Thomas estimated

1 the cost of improvements for the water system to be approximately \$ [REDACTED] and for the
2 sewer system to be \$ [REDACTED], for a total of \$ [REDACTED]. There is no such estimate in Mr.
3 Thomas' direct testimony in this case. Further, there is no estimate of financing cost. I am
4 concerned with the open-ended nature of the Application. By comparison, LPSC's plan
5 provides continued local control of Lake Perry's water and wastewater services through a
6 non-profit corporate entity that is incented to minimize costs and rates while maintaining
7 full compliance with environmental regulations.

8 **Q. Do ways exist for an investor-owned utility company such as Confluence Rivers to**
9 **potentially generate excess profit at the expense of its customers?**

10 **A.** Yes. Multiple methods exist. I will describe three of them: 1) Investor-owned utilities
11 (IOUs) such as Confluence Rivers generate profit through an allowed return on their capital
12 investments. Operating expenses are theoretically recovered "at cost" with no markup.
13 The intended source of profit is by earning a return on the legitimate capital investments
14 the company makes in the system. These investments would normally consist of the
15 acquisition of the system assets (if any) at net book value plus additional future reasonable
16 capital investments, when needed, to provide reliable service in compliance with regulatory
17 requirements. In my experience it is not uncommon for IOUs to attempt to over-invest by
18 either "gold-plating" what would otherwise be legitimate projects and/or investing in
19 projects that are not actually necessary. 2) The IOU may also seek to inflate profits by
20 intentionally obtaining debt financing at inflated interest rates. If they are able to arrange
21 structures in which they effectively receive a "kickback" on the inflated interest payments
22 through direct or indirect affiliates on the other side of the transaction, excess profit can be
23 created. 3) While operating costs are intended to be recovered "at cost," IOUs can produce

1 additional excess profit by arranging for directly or indirectly affiliated companies to
2 provide goods and services to the operating company at inflated prices. The forms of self-
3 dealing embodied in items 2) and 3) above are easier to obscure by companies having
4 complex organizational structures (as opposed to simple ones) in combination with various
5 legal and accounting techniques.

6 **Q. In your prior response you suggest that “companies having complex organizational**
7 **structure” create greater risk of self-dealing. Is Confluence Rivers organized in such**
8 **a manner?**

9 A. Yes. Confluence Rivers is part of a complex family of interwoven companies. Mr. Cox
10 refers to this in his testimony and provides an organization chart in Schedule JC-1. In
11 Confluence Rivers’ response to LPLOA’s Data Request 3.18.2 (attached as Schedule GJ-
12 02), Mr. Cox states that “Confluence Rivers Utility Operating Company is wholly owned
13 by Confluence Rivers Utility Holding Company. Confluence Rivers Utility Holding
14 Company is wholly owned by CSWR, LLC.” As seen in Schedule JC-1, CSWR, LLC is a
15 corporate affiliate of Central States Water Resources, Inc. So, at least four levels of affiliate
16 relationships exist. Additionally, in Confluence Rivers’ response to LPLOA’s Data
17 Request 3.18.3 (also seen in Schedule GJ-02), Mr. Cox states that “Josiah Cox is the sole
18 board member of all Missouri UOCs and UHCs.” The fact that neither Confluence Rivers
19 nor its affiliates have oversight through traditional boards of directors composed of
20 multiple qualified persons is concerning and increases the possibility of the forms of
21 corporate misbehavior described above.

1 **Q. Have you observed any actions or information from Confluence Rivers in File No.**
2 **WM-2018-0116 or in this case that suggests that Confluence Rivers may be**
3 **attempting to inappropriately maximize the rate base associated with this case?**

4 A. Yes. First, the purchase price is excessive. This is discussed further below. Confluence
5 Rivers has argued that Staff's rate base figure is too low but does not provide any
6 meaningful information to support a higher figure. Also, as discussed by Mr. Sayre in his
7 rebuttal testimony, Confluence Rivers has alleged that Lake Perry's systems are in a
8 significant state of disrepair and are operating in violation of MDNR requirements. As
9 additionally described by Mr. Sayre, Confluence Rivers is party to an Abatement Order on
10 Consent (AOC) with MDNR, Order No. 2019-WPCB-1582, based on the premise that
11 Lake Perry's wastewater system has caused pollution discharge into Nations Creek in
12 violation of MDNR rules. These assertions by Confluence Rivers are false. Finally,
13 Confluence Rivers has been highly inconsistent regarding the estimated level of capital
14 investments required for Lake Perry. In the prior case (File No. WM-2018-0116) they
15 stated that a total of \$██████████ was required, despite the existence of sealed water and
16 wastewater engineering reports, dated 7/11/18 and 6/21/18 respectively, stating that a total
17 of \$██████████ was needed. Now, in the current case, they are mysteriously silent in their
18 Application and direct testimony regarding the level of capital investments needed. In my
19 opinion, the combination of all of these facts strongly suggests that Confluence Rivers may
20 be attempting to position itself for both an inflated purchase price as well as excessive
21 capital investments to the detriment of the public.

22 **Q. Do you have additional concerns relating to Confluence Rivers' engineering reports**
23 **and cost estimates relating to Lake Perry's water and wastewater systems?**

1 A. Yes. In addition to the above inconsistencies, multiple sealed and unsealed versions of the
2 engineering reports exist along with conflicting communication with Staff and responses
3 to LPLOA's data requests. These sources of information are as follows:

4 a) In the prior case, File No. WM-2018-0116, Confluence Rivers stated that a total of
5 \$[REDACTED] was required for system improvements at Lake Perry.

6 b) Confluence River's response in this case to Staff DR 0012 dated 4/24/19 states that a
7 total of \$[REDACTED] is required for system improvements at Lake Perry.

8 c) In Confluence Rivers' initial response to LPLOA's Data Request 2.10, Confluence
9 Rivers provided two **unsealed** engineering reports, **both dated 10/15/18**, stating that a total
10 of \$[REDACTED] is required for system improvements at Lake Perry. Note that these reports,
11 which were provided in response to LPLOA's Data Request in this case, are consistent
12 with the level of required system improvements stated in the prior case.

13 d) Subsequently, Confluence Rivers provided a different set of **sealed** engineering reports,
14 again in response to LPLOA's Data Request 2.10, dated **7/11/18 and 6/21/18** for water and
15 wastewater respectively, stating that a total of \$[REDACTED] is required for system
16 improvements at Lake Perry.

17 e) Mr. Thomas, on 8/19/19 in his response to LPLOA's Data Request 4.1 states a
18 "corrected" total of \$[REDACTED] is required for system improvements at Lake Perry (\$[REDACTED]
19 for water and \$[REDACTED] for wastewater). This figure is based on the **sealed** water and
20 wastewater reports dated **7/11/18 and 6/21/18** respectively.

21 These inconsistent information sources referenced in items b) through e) are attached
22 hereto as Schedules GJ-03, GJ-04, GJ-05, and GJ-06. Notice that, in addition to the varying

1 figures, Confluence River's used an **unsealed** engineering report dated 10/15/18 to support
2 the prior case value of \$[REDACTED] even though an earlier **sealed** reported existed
3 recommending a much lower value of \$[REDACTED]. Further, the sealed and unsealed reports
4 contain a variety of discrepancies regarding the Lake Perry Systems. For example, the
5 unsealed 10/15/18 water report states that average daily water usage is 33,000 gallons. The
6 sealed 7/11/18 water report states 67,032 of average daily water usage. Also, the sealed
7 water report dated 7/11/18 refers to the "Gladlo service area" and "Willows Water
8 System". These references appear to be erroneous. I find this concerning. Information that
9 Confluence Rivers has provided in association with their Application is inconsistent,
10 incomplete, unclear, and likely erroneous. This suggests incompetence (at best) or
11 evasiveness (at worst) on the part of Confluence Rivers.

12 **Q. In your expert opinion, is the \$[REDACTED] asset purchase price plus the [REDACTED]**
13 **[REDACTED]**
14 **[REDACTED] reasonable?**

15 **A.** No. The purchase price is excessive. Staff's recommended net book value is \$58,133.
16 Confluence Rivers has not provided any meaningful information as part of their argument
17 that Staff's value is too low. Confluence Rivers has not identified any specific construction
18 work-in-progress (CWIP) items or other forms of assets that are not already included in
19 PPSC's balance sheet. With respect to the [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED].

23 **Q. Do you expect Confluence Rivers' cost of capital to be higher than for LPSC?**

1 A. Yes. First, I find the lack of information Confluence Rivers has provided on their
2 anticipated cost of capital in the Application and testimony in this case to be concerning
3 and unreasonably open-ended. However, information they previously provided in
4 Appendix R of the prior case (File No. WM-2018-0116) indicates that Confluence Rivers'
5 effective interest rate for debt may be in excess of █%. In most situations, the cost of
6 equity for a corporate entity is higher than for debt, so it is certainly possible that
7 Confluence River's aggregate WACC will be in excess of █%. This compares to LPSC's
8 projected WACC of approximately 6%.

9 **Q. What is your assessment of possible rate impacts of the Application?**

10 A. Rate increases for other community utilities recently acquired by CSWR (e.g. Hillcrest,
11 Raccoon Creek, and Indian Hills, etc.) range from approximately 151% to 2057%. I have
12 attached a rate analysis of these examples as Schedule GJ-07 to my testimony. As
13 indicated previously, CSWR's expected WACC is likely to be significantly higher than
14 what is expected for LPSC. Thus, for all assumed capital investment plans, CSWR will
15 have significantly higher financing costs, and therefore rates, than if the systems were
16 owned and operated under LPSC's business plan. LPSC's business plan projects an average
17 combined water and wastewater rate of \$64.24 in its first full year of operation. This
18 corresponds to a rate increase of approximately 84% for water and wastewater service
19 combined, in order to accommodate system acquisition and new investments compared to
20 Lake Perry's current rates, which is a much lower increase than the rate increase
21 experienced by the other communities taken over by CSWR referenced above. CSWR's
22 higher rates, with no appreciable benefit, would be detrimental to the public interest.

1 **Q. Does the Confluence Rivers transaction pose significant risks to the Lake Perry**
2 **community?**

3 A. Yes. Based on what has been experienced by other communities whose water and
4 wastewater utilities have been acquired by CSWR, the Confluence Rivers transaction
5 exposes the community to the potential for excessive capital expenditures, customer
6 service disruptions caused by over-sized improvements, and egregious rate increases.
7 Further, the transaction exposes the community to service quality concerns caused by
8 having a non-local service provider.

9 **Q. Will the acquisition of PPSC by Confluence Rivers likely lead to unnecessary costs**
10 **imposed upon the Lake Perry Community?**

11 A. Yes. At a minimum, it would likely lead to higher financing costs due to Confluence
12 Rivers' higher cost of capital. A strong possibility also exists that operating costs under
13 Confluence Rivers will be higher than under LPSC. This is because LPSC will have a
14 natural incentive to minimize operating costs while Confluence Rivers has an incentive to
15 allow higher operating cost if some of those costs produce revenues for their affiliated
16 companies.

17 **Q. By what magnitude?**

18 A. In terms of financing costs, if we assume capital investments of \$████████ stated by
19 Confluence Rivers in the prior case WM-2018-0116 along with respective rates of 6%
20 versus ██████%, the difference amounts to over \$1.6 million over thirty years. Separate
21 analysis indicates that Confluence Rivers' operating costs are also excessive. In looking
22 at the Indian Hills rate case in File WR-2017-0259, Staff lists operating expenses of

1 \$272,327 in Staff's Rate Design Scenarios to serve Indian Hills' 715 water customers
2 (\$381 per customer). PPSC's 2018 annual report states \$56,005 of operating expenses to
3 serve Lake Perry's 370 water customers (\$151 per customer). LPSC's business plan
4 projects \$324 per water customer for 2020 (its first full year of operation). Again, over
5 thirty years, the difference in Confluence Rivers' operating costs (as suggested in the
6 Indian Hills rate case) totals over \$633,000 more than what is projected under LPSC's
7 business plan.

8 **Q. Do you have other comments on the Agreement for Sale of Utility System (Agreement)**
9 **in the Application included in Schedule JC-5C in Mr. Cox' testimony?**

10 A. The terms of the Agreement are lopsided in favor of Confluence Rivers. [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]. When all of the terms of the
22 Agreement considered together, my view is that Confluence Rivers has taken advantage of
23 Mr. Yamnitz and Mr. Moll.

1 **Q. What are your conclusions regarding the impact on the public interest if Confluence**
2 **Rivers' application is approved?**

3 A. Approval of the acquisition of PPSC by Confluence Rivers would be detrimental to the
4 public interest. The "public" in this case is primarily the Lake Perry community and
5 adjacent customers currently served by PPSC. In addition to considering the fact that the
6 public is opposed to the transaction, the Commission should strongly consider the
7 likelihood that Lake Perry's rates under Confluence Rivers will be significantly higher than
8 under a non-profit community organization (LPSC). LPSC has provided a definitive offer
9 to PPSC that can satisfy the desire of PPSC's owners to sell the system at a fair price. If
10 the Commission denies the Application, there is a clear path for Lake Perry to retain local
11 utility control and have lower rates, and the owners of PPSC will receive an appropriate
12 price for PPSC's assets. This scenario creates highest overall public benefit. In contrast,
13 approval of the Application will deprive Lake Perry of local control and will likely lead to
14 higher rates due to Confluence River's higher cost of capital and profit motive.

15 **Q: How can Lake Perry be protected from these risks?**

16 A: Lake Perry will be protected from these risks if the Commission denies the Application.

17 **Q: If the Commission was to approve the Application, what conditions should be**
18 **applied?**

19 A: For the reasons I have discussed above, the following conditions should be applied:

20 a) Limit starting rate base to Staff's recommendation of \$58,133.

21 b) Require Confluence Rivers to develop a clear capital investment plan for Lake
22 Perry that is endorsed by both LPLOA and the Office of Public Council (OPC).

1 c) Require Confluence Rivers to establish a customer advisory board and associated
2 governance processes, satisfactory to both LPLOA and OPC, that allows meaningful
3 customer input into future capital investments before they are incurred.

4 d) Require Confluence Rivers to undergo a biannual independent audit, using an
5 auditor and audit plan acceptable to both LPLOA and OPC, to review the reasonableness
6 of operating costs and to confirm that all goods and services are being procured
7 appropriately.

8 **Q: Does this conclude your testimony?**

9 **A: Yes, it does.**

Schedule GJ-01

Business Plan

Lake Perry Service Company



August 2019

Schedule GJ-01

Contents

Executive Summary.....	2
Introduction	2
Lake Perry Community.....	2
Lake Perry Service Company.....	2
Services, Customers, and Rates	4
Facilities	5
Capital Investment Plan	5
Operating Plan	6
Funding Plan.....	7
Execution Plan.....	7
Financial Projections	7

Appendix A – Community Photos and Maps

Appendix B – Articles of Incorporation

Appendix C – Biographical Information of Key Leadership and Staff

Appendix D – Engineering Summary and Assessment

Appendix E – Execution Plan

Appendix F – Support Services Contractors

Appendix G – Financial Projections

Executive Summary

Introduction

Lake Perry Service Company (LPSC) is a non-profit corporation formed under Section 393 of the Statutes of the State of Missouri.

LPSC's business focus and mission is to provide non-profit, community-governed water supply and sewer services at stable and affordable prices that contribute to the growth and vitality of the Lake Perry community.

This document provides information on the Lake Perry community, LPSC's plans for investment, operations, maintenance, and regulatory compliance for the water and sewer facilities serving Lake Perry. Information on organization structure, funding, and financial projections is also provided.

As described in subsequent sections, the currently-assumed timing of official business launch is for funding and asset purchase transactions to occur in June 2019 and customer operations to begin in July 2019. These dates may change as the timeline of preceding activities evolves. Appendix E contains a summary of the current overall execution plan and timeline.

Lake Perry Community

Lake Perry is a private gated community in Missouri. The 200-acre lake has nearly two miles of shoreline. Lake Perry is situated within 1,800 acres of hardwood forest set in the hills of southeast Missouri near Interstate 55, approximately 70 miles south of St. Louis and 12 miles west of Perryville. The property is adjacent to Mark Twain National Forest and is filled with abundant animal wildlife. There are two springs which feed the crystal clear lake and provide a haven for fishermen, boaters, and nature lovers.

Currently approximately 130 homes have been built, ranging from simple weekend cabins to deluxe lakefront homes. Many lakefront lots have their own docks and boat slips.

The Lake Perry Lot Owners Association is guided by an elected board of trustees that adheres to the restrictions policy and maintains a successful budget with yearly assessments. Lake Perry is fortunate to have an excellent staff as well as a fine volunteer organization of lot owners who are committed to making Lake Perry a first-class community.

Lake Perry Service Company

LPSC is a non-profit water and waste water services company incorporated on February 8, 2019 (N000710842) under Section 393 of the Statutes of the State of Missouri. LPSC's business focus and mission is to provide non-profit, community-governed water supply and sewer services at stable and affordable prices that contribute to the growth and vitality of the Lake Perry community. Water services are also provided to several residents adjacent to (but outside) the Lake Perry community. A copy of LPSC's articles of incorporation are contained in Appendix B.

The current organizational chart is provided below. Biographical information for officers, management, and key staff is provided in Appendix C.



* Roles performed by 3rd parties under contract to LPSC and/or its contractors

Members of the Board of Directors are:

- Richard DeWilde (President)
- Diane Murray (Secretary)
- Rick Burton
- Larry Jennermann
- Alan Frentzel
- Brian Flentge
- Vince Reinacher

Members of the Management Team are:

- Chief Executive Officer: Richard DeWilde
- Executive Assistant: Diane Murray
- Superintendent of Operations: Robert Welden

Professional services providers are:

- Legal: McCarthy, Leonard & Kaemmerer, L.C.
- Engineering: Allstate Consultants, Inc.
- Business planning and economic analysis: Experience on Demand, LLC
- Accounting/Billing: Payroll Paycheck Services/PPS Tax Services

Governance of LPSC is controlled through a formal set of bylaws. Bylaws for the company were filed with the Missouri Secretary of State as part of entity formation. LPSC's bylaws include provisions for the following:

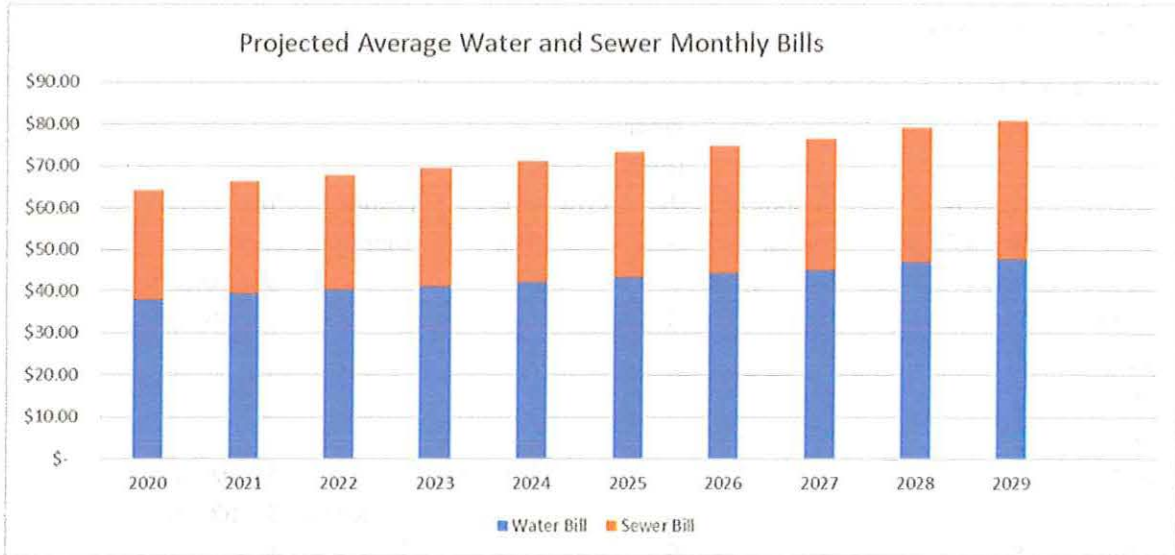
- Qualifications for Membership
- Election of Directors and Officers
- Delegation of Powers to Board and Officers
- Removal
- Regular and Special Meetings
- Voting and Quorums
- Contracting and Transactions
- Disposition of Excess Revenue back to Members
- Records
- Amendments

Services, Customers, and Rates

LPSC will provide water supply and wastewater (i.e. sewer) services to the Lake Perry community and adjacent areas that receive water service from LPSC. Currently, there are about 358 water and 234 sewer customers. The vast majority of these are residential/second home customers. Service demands are low in the winter, then increase through summer and early fall.

Revenues to cover the costs of providing service (and meeting debt service obligations and covenants) will be collected on a monthly basis. Water rates include both fixed and variable components, thereby producing bills (and revenues) that generally match the pattern of monthly consumption. Sewer rates are fixed and remain basically constant through the year. The pattern of revenue and costs is described in more detail in the financial projections contained in Appendix G. It is important to note that most of LPSC's costs are fixed. Therefore, working capital will need to be maintained to support the swings in net revenue that occur throughout the year, especially for the water system.

Projected water and sewer rates (in the form of average monthly bills) are shown in the chart below. Please note that the rates and financial projections include 2.5% annual inflation. Importantly, LPSC's projected rates are within the threshold for what is considered affordable by the USDA's Rural Development department.



Facilities

Appendix D contains maps, photos, and technical summaries of the primary components of the water and waste water facilities. The systems are currently in compliance with applicable health and environmental protection regulations. An active and in-force operating permit is in place with the Missouri Department of Natural Resources.

Capital Investment Plan

LPSC engaged Allstate Consultants of Columbia, Missouri to perform an onsite facilities assessment and review publicly-available information detailing the condition of the facilities, regulatory compliance status, operating and maintenance requirements, and capital investment needs. The systems are currently operating satisfactorily and in accordance with environmental regulations, but repairs and improvements are needed. Appendix D contains a report from Allstate to LPSC summarizing their findings.

Capital investments needed to enable LPSC to continue to provide reliable services in full compliance with health and environmental regulations are summarized below. For sake of completeness, the listed investments also include funding for system acquisitions and working capital.

Capital Investment Plan

Water System CapEx							
		System Acquisition	Working Capital	Near-Term Needs/Studies	New Well	Future Upgrades	Total CapEx
2019	\$	150,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 170,000
2020	\$	-	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000
2021	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2024	\$	-	\$ -	\$ -	\$ 450,000	\$ -	\$ 450,000
2025	\$	-	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
2026	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2027	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2028	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2029	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer System CapEx							
		System	Working	Near-	Valving	Future	Total
2019	\$	75,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 85,000
2020	\$	-	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
2021	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2024	\$	-	\$ -	\$ -	\$ 30,000	\$ -	\$ 30,000
2025	\$	-	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
2026	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2027	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2028	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
2029	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -

These investments are reflected in the financial projections contained in Appendix G.

Operating Plan

Allstate Consultants performed an onsite walk-around and met with operations staff. The systems are relatively simple and do not require continuous intervention. Operating tasks will be performed by two part-time staff persons in combination with contractors in the area who have experience in maintaining and operating small water and wastewater systems. Appendix F contains information on contractors, some of whom already have experience with Lake Perry’s systems, interested in serving LPSC.

Funding Plan

As listed in the financial projections contained in Appendix G, LPSC requires initial funding of \$300,000 to acquire the existing facilities, provide for working capital, and perform immediate (but modest) system repair and maintenance items. Additional capital requirements, incurred over the subsequent ten years, will be needed as described above in the capital investment plan. The funding plan is as follows:

- \$300,000 in investor notes to acquire the existing water and sewer assets currently owned by Port Perry Service Company, establish working capital, and address immediate repair and maintenance needs. It is currently anticipated that the notes would be 36 months in term, 8.65% net annual interest paid monthly, and the principle repaid at the end of the term.
- After approximately three years of operation, the investor notes will be repaid using funds from a commercial bank loan after LPSC's operating history has been established. It is assumed this would be a ten year loan with amortized principal and interest payments. Based on recent discussions with banks, the interest rate is assumed to be approximate 6%.
- \$480,000 in 2024 to fund a new well and upgraded valving components for the waste water surface effluent application system. Because these are facility upgrades for providing water and waste water treatment services, USDA-guaranteed loan programs are available at attractive terms. The current assumption is that the loans would be 40 years at 4%, with amortized interest and principle payments. Engineering studies will be performed prior to these investments to ensure that the most cost-effective options are selected. It is anticipated that less costly alternatives may exist.
- \$150,000 in 2025 for additional future improvements that are anticipated but not yet defined. These needs would also be funded using USDA-guaranteed loans.

The financial projections contained in Appendix G reflect the above funding plan, including pro forma estimates of debt coverage metrics.

Execution Plan

Appendix E provides a high-level project plan detailing the activities necessary to successfully launch the company. This plan will be further refined and updated over time. It is important to note that business startup is contingent on approval from the Missouri Public Service Commission for the current owner of the system (Port Perry Service Company) to sell the system to LPSC.

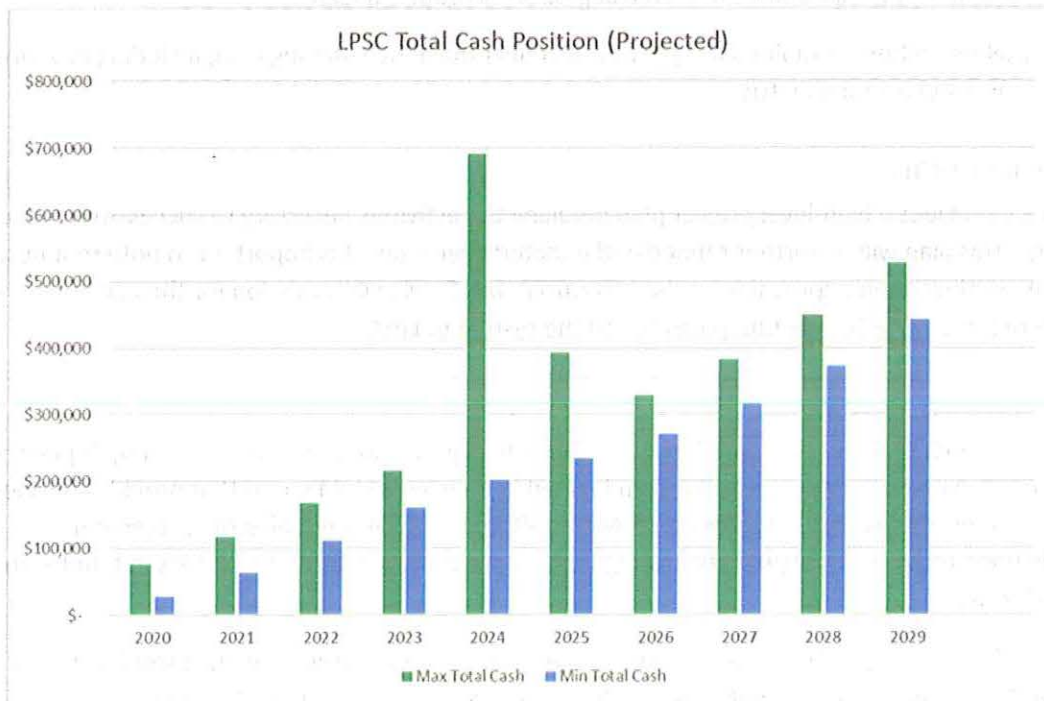
Financial Projections

Appendix G provides financial projections for LPSC. These projections were developed by Experience on Demand, LLC, a management consulting firm located in Chesterfield, Missouri that provides business planning and economic analysis services. A Microsoft Excel model containing the projections is available upon request. The figures below highlight some of the key business metrics in tabular and graphical form.

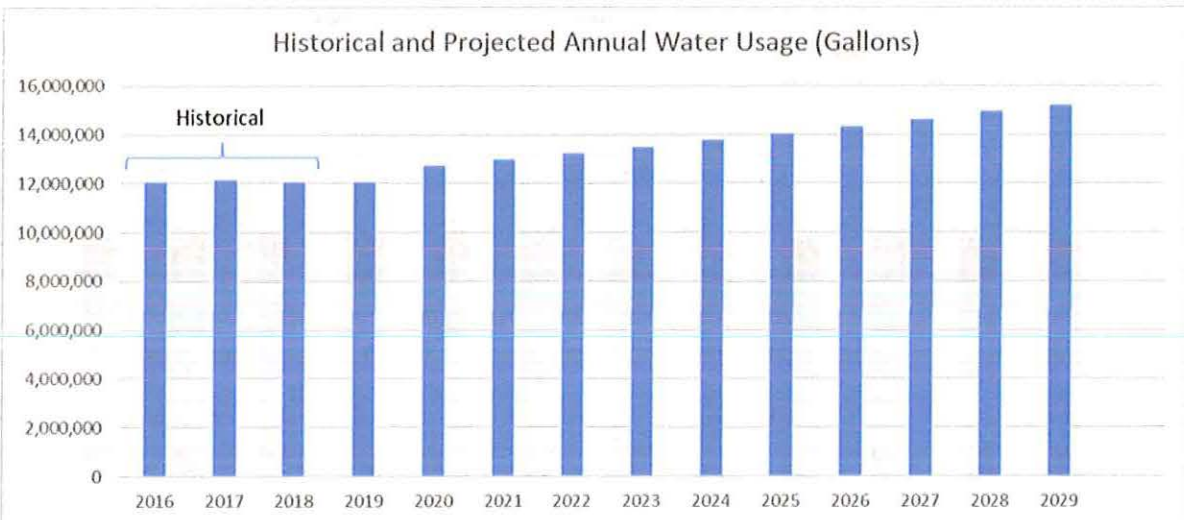
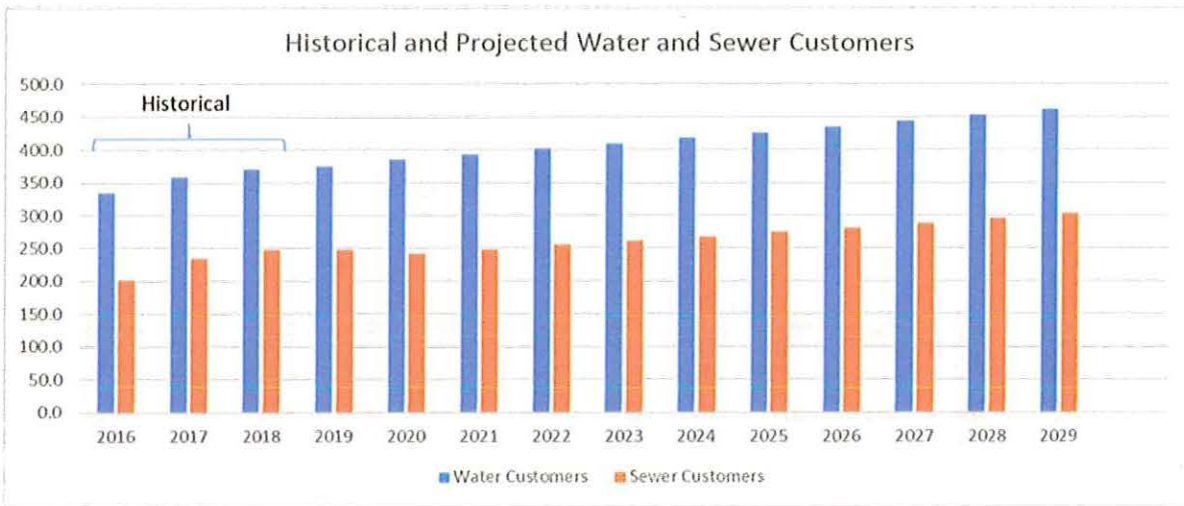
The model features separate revenues and expenses for the water business unit, sewer business unit, and a shared services business unit. This facilitates unit-specific rate planning so that costs are fully covered on both an individual business unit and aggregate basis. Administrative expenses of the shared

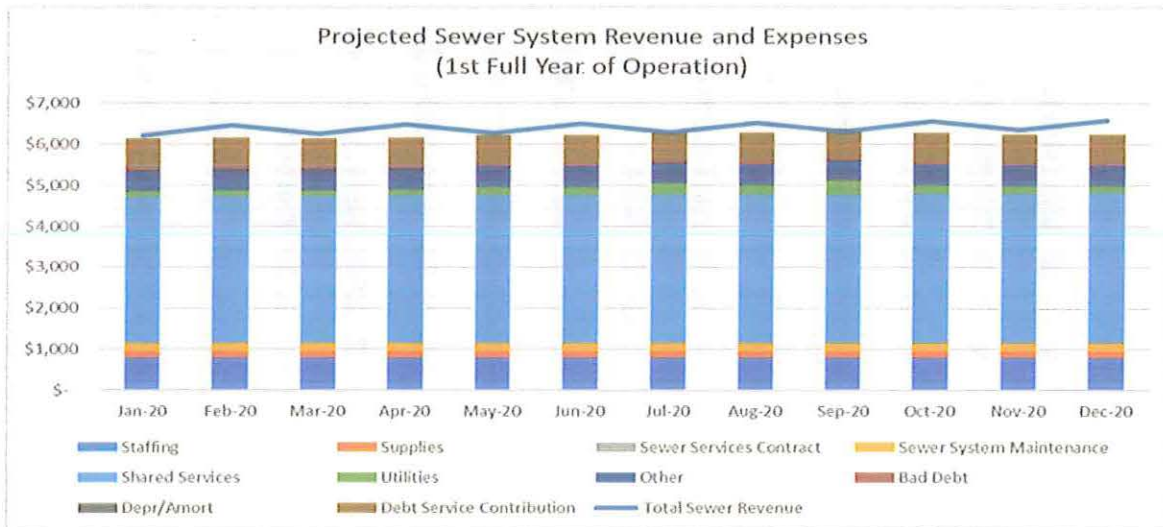
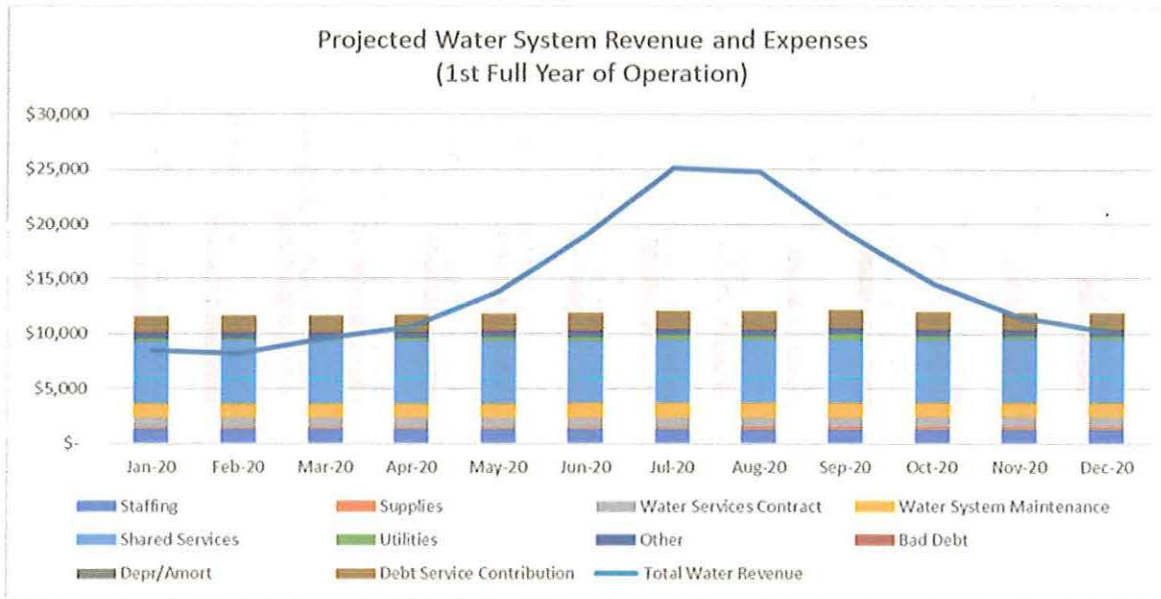
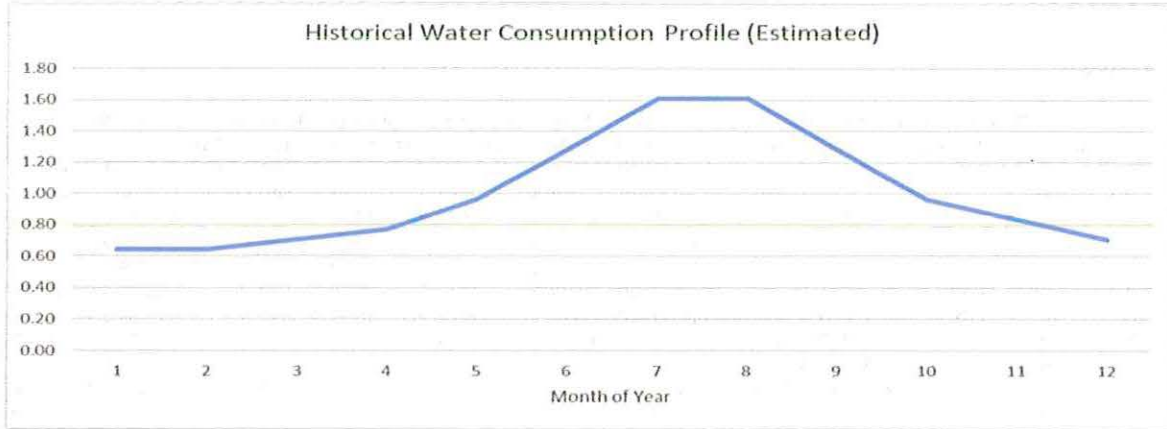
services unit are allocated to the two operating units (i.e. water and sewer) based on customers served. Debt service, which is paid by the shared services unit, is allocated based on each unit's cumulative CapEx balance. Rates are set in both the water and sewer units so that end-of-month cash does not fall below initial working capital for any year. Because additional CapEx investments are made in later years, this leads to the accumulation of cash in earlier years. Projected aggregate cash balances are shown below. In this model, the DSCR metric (Debt Service Coverage Ratio) equals period-specific total net operating income divided by period-specific total debt service. This metric provides an indication of projected business strength in fulfilling debt service obligations.

Min Total Cash	Max Total Cash	DSCR
\$ -	\$ 75,000	
\$ 26,131	\$ 75,000	2.34
\$ 62,542	\$ 115,728	2.75
\$ 109,420	\$ 167,212	3.01
\$ 159,044	\$ 214,078	2.15
\$ 199,985	\$ 690,914	1.50
\$ 232,374	\$ 392,727	1.49
\$ 269,529	\$ 327,882	1.61
\$ 314,642	\$ 380,869	1.74
\$ 371,252	\$ 448,302	1.95
\$ 441,650	\$ 526,277	2.11



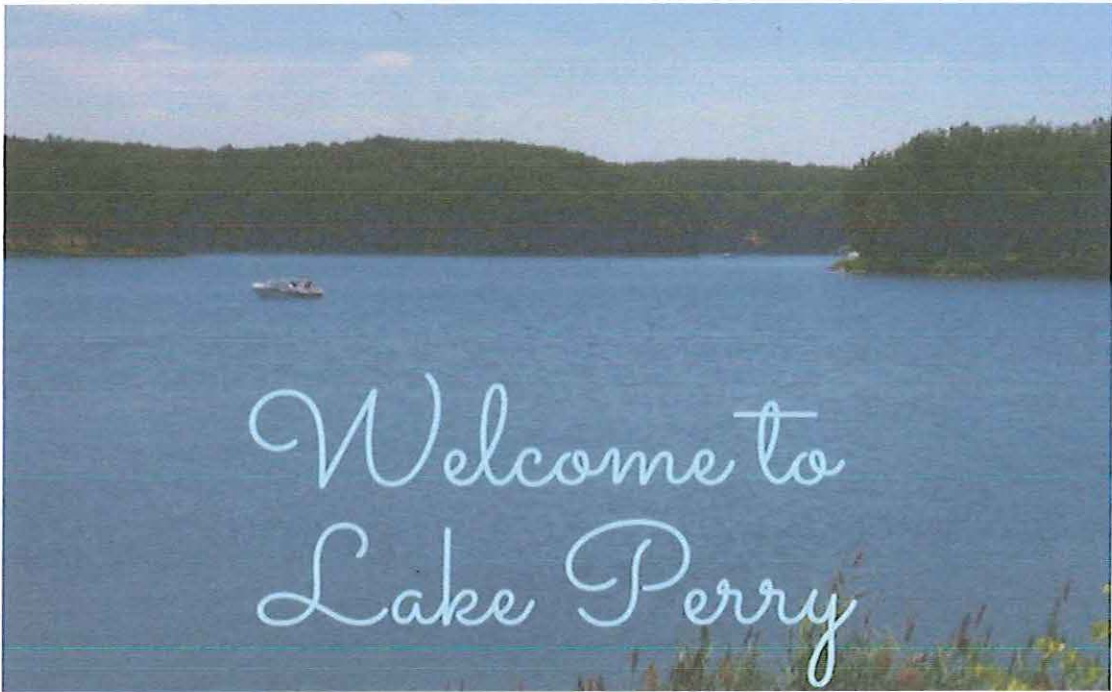
Statement of Cash Flows															
	Starting Cash	Net Funding Inflows	Principal Payments	Interest Expenses	Total Debt Service	Shared Services Expenses	Water CapEx	Sewer CapEx	Debt Service Reimbursements	Shared Services Reimbursements	Ending Cash	Net Cash Flow	Min Total Cash	Max Total Cash	DSCR
2019	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 170,000	\$ 85,000	\$ -	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ 75,000	
2020	\$ 45,000	\$ -	\$ -	\$ 25,950	\$ 25,950	\$ 112,398	\$ 30,000	\$ 10,000	\$ 25,950	\$ 112,398	\$ 5,000	\$ (40,000)	\$ 26,131	\$ 75,000	2.34
2021	\$ 5,000	\$ -	\$ -	\$ 25,950	\$ 25,950	\$ 115,238	\$ -	\$ -	\$ 25,950	\$ 115,238	\$ 5,000	\$ -	\$ 62,542	\$ 115,728	2.75
2022	\$ 5,000	\$ -	\$ -	\$ 25,950	\$ 25,950	\$ 118,153	\$ -	\$ -	\$ 25,950	\$ 118,153	\$ 5,000	\$ (0)	\$ 109,420	\$ 167,212	3.01
2023	\$ 5,000	\$ -	\$ 22,582	\$ 17,386	\$ 39,967	\$ 121,140	\$ -	\$ -	\$ 39,967	\$ 121,140	\$ 5,000	\$ 0	\$ 159,044	\$ 214,078	2.15
2024	\$ 5,000	\$ 480,000	\$ 28,517	\$ 33,518	\$ 0	\$ 124,203	\$ 450,000	\$ 30,000	\$ 62,035	\$ 124,203	\$ 5,000	\$ -	\$ 199,985	\$ 690,914	1.50
2025	\$ 5,000	\$ 150,000	\$ 32,021	\$ 38,915	\$ 70,937	\$ 127,342	\$ 100,000	\$ 50,000	\$ 70,937	\$ 127,342	\$ 5,000	\$ 0	\$ 232,374	\$ 392,727	1.49
2026	\$ 5,000	\$ -	\$ 33,990	\$ 37,573	\$ 71,564	\$ 130,568	\$ -	\$ -	\$ 71,564	\$ 130,568	\$ 5,000	\$ (0)	\$ 269,529	\$ 327,882	1.61
2027	\$ 5,000	\$ -	\$ 35,941	\$ 35,623	\$ 71,564	\$ 133,865	\$ -	\$ -	\$ 71,564	\$ 133,865	\$ 5,000	\$ -	\$ 314,642	\$ 380,869	1.74
2028	\$ 5,000	\$ -	\$ 38,006	\$ 33,558	\$ 71,564	\$ 137,251	\$ -	\$ -	\$ 71,564	\$ 137,251	\$ 5,000	\$ -	\$ 371,252	\$ 448,302	1.95
2029	\$ 5,000	\$ -	\$ 40,192	\$ 31,371	\$ 71,564	\$ 140,723	\$ -	\$ -	\$ 71,564	\$ 140,723	\$ 5,000	\$ -	\$ 441,650	\$ 526,277	2.11

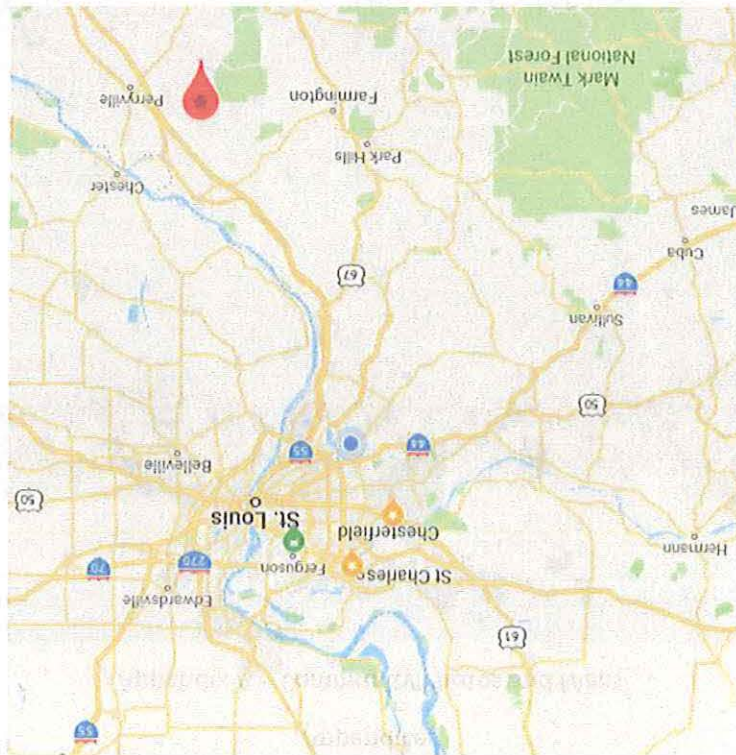




Appendices

Appendix A – Community Photos and Maps





Appendix B – Articles of Incorporation

Articles of Incorporation

For

Lake Perry Service Company

(Pursuant to sections 393.175, 393.825 to 393.861, and 393.900 to 393.951, RSMo.)

The undersigned natural persons of the age of eighteen years or more, for the purpose of forming a nonprofit water company and a nonprofit sewer company under sections 393.175, 393.825 to 393.861, and 393.900 to 393.951, RSMo., hereby adopt the following Articles of Incorporation:

Article One: The name of the corporation is Lake Perry Service Company.

Article Two: The address of the principle office, including street number of the initial registered office in this state is: 1300 Brenda Avenue, Perryville, MO 63775 and the name of the registered agent is

Article Three: The names and addresses of the incorporators are:

Richard Thomas DeWilde	1300 Brenda Ave, Perryville, MO 63775
Diane Renee Murray	2080 Mariana Loop, Perryville, MO 63775
Ricky Burton	243 Pioneer Orchard Drive, Jackson, MO 63755
Larry Jennemann	2030 Oak Way, Perryville, MO 63775
Alan Frentzel	2046 Compass Drive, Perryville, MO 63775
Brian Flentge	1491 PCR 902, Perryville, MO 63775
Vince Reinacher	1670 Washington Road, Oakdale, IL 62268

Article Four: The number of years the company is to continue shall be perpetual.

Article Five: The legal description of the territory in which the company intends to operate is attached as Exhibit A.

Article Six: The names and addresses of the person who shall constitute its first board of directors are:

Richard Thomas DeWilde (President)	1300 Brenda Ave, Perryville, MO 63775
Diane Renee Murray (Secretary)	2080 Marina Loop, Perryville, MO 63775
Ricky Burton	243 Pioneer Orchard Drive, Jackson, MO 63755
Larry Jennemann	2030 Oak Way, Perryville, MO 63775
Alan Frentzel	2046 Compass Drive, Perryville, MO 63775
Brian Flentge	1491 PCR 902, Perryville, MO 63775
Vince Reinacher	1670 Washington Road, Oakdale, IL 62268

Article Seven: The company chooses to operate pursuant to chapter 355, RSMo., as a not for profit mutual benefit company for the purpose of supplying water for distribution and for providing sewer services.

Article Eight: The method chosen for distributing the assets of the company upon dissolution shall be in accordance with 393.945, RSMo., as amended and any other statutes applicable to a nonprofit water and a nonprofit sewer company.

Article Nine: There are no provisions that are not inconsistent with sections 393.175, 393.825 to 393.861, and 393.900 to 393.951, RSMo., that are deemed necessary or advisable for the conduct of the business and affairs of such corporation.

In Witness Whereof, these Articles of Incorporation of the Lake Perry Service Company have been signed and acknowledged this 16th day of December, 2018, by the following incorporators:

Incorporators

Richard Thomas DeWilde

Richard Thomas DeWilde

Diane Renee Murray

Diane Renee Murray

Ricky Burton

Ricky Burton

Alan Frentzel

Alan Frentzel

Brian Flentge

Brian Flentge

Vince Reinacher

Vince Reinacher

State of Missouri)

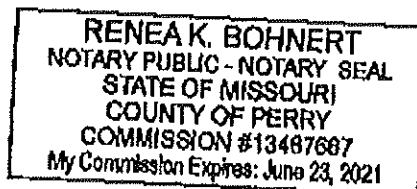
) ss

County of Perry)

Renae Bohnert, a notary public, do hereby certify that on the 16 day of December, 2018, personally appeared before me the above named Incorporators, who being by me first duly sworn, declared themselves to be the persons who signed the foregoing document as Incorporators and that the statements therein contained are true.

Renae Bohnert
Notary Public

My commission expires:



Schedule GJ-01

Appendix C – Biographical Information of Key Leadership and Staff

Richard T. DeWilde
1300 Brenda Ave.
Perryville, MO 63775

"Bio"

Certified Public Accountant since 1988

Owned and managed Certified Public Accounting firm since October 1993

**President and manager of Lake Perry Lot Owners' Association since
September, 2003**

**Will be interested in being CEO and manage the newly formed Lake Perry Service
Company which will operate the water and sewer services at Lake Perry.**

Robert Welden

5034 South Port Perry Drive

Perryville, MO 63775

573-513-0271

To: Lake Perry Lot Owner's Association Board of Trustees

The following is a short biography of my work experience. From the early to the mid 1980s I worked at the Greens Golf and Racquet Club as a general laborer, Irrigation Specialist and second assistant.

From 1989-1990 I worked for John Slinkard as a carpenter in residential construction.

From 1990-1991 I began working at Crystal Highlands Golf Club as an assistant professional where I worked in the shop, cleaned carts and displayed and set up merchandise. Then I moved up to a superintendent position until 1998. I was responsible for maintaining golf course from day to day, hiring help, maintaining irrigation system which includes fixing leaks, replacing and repairing sprinklers, schedule watering and fixing controllers.

From 1999-2005 I worked at Al Ford Environmental Services. The duties I had there included installing septic tanks, septic systems and inspection of septic tanks and fields.

In 2005 I began working for Perry County Land Company. I began as a general laborer which evolved into a supervisory position. My duties include maintaining the grounds, maintaining the pool, including maintaining proper chemical levels, upkeep of restrooms, authorize inspections and permits, insure gates, proxcards, key fobs are current and working.

I would be interested in becoming certified as a utility operator.

Sincerely,



Robert Welden

Brian Flentge
1491 PCR 902
Perryville, MO 63775
314-913-1190

To: Lake Perry Boards of Trustles

To Whom It May Concern,

I am writing to express my interest in the Water and Sewer Operator Position at Lake Perry and to explain why I feel that I am a good candidate for this position. I have many years of experience and believe that you will be very interested in me after you take a closer look.

I have been doing construction work for the last 20 years. I have been working construction with local companies as well as out of state companies. This is where I have been employed and then adapted into starting my own company. I have served as owner, worker and much more.

In addition to my experience in construction, I have spent the last 15 years owning my own company that I started in 2005. I have done numerous jobs at Lake Perry including the culvert bridge replacement, boulder walls, excavator work, concrete walls as well as planning and designing projects for multiple lot owners. I make sure I am available for all the jobs that I am hired for and am there when needed.


I have also donated my time working on the Wall for our home town. This experience I believe will be extremely useful for working for you.

I hope that you are intrigued by my experience in the construction field and what I am able to do for this job. I can be reached by phone at 314-913-1190 or via email at outdoordeco@yahoo.com.

I hope to speak with you soon regarding this exciting opportunity.

Sincerely,

Brian Flentge

 12/17/18

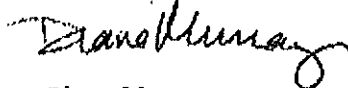
Diane Murray
2060 Marina Loop
Perryville, MO 63775
573-768-5196

To: Lake Perry Lot Owners' Association Board of Trustees

I live at Lake Perry and have been doing daily testing for the chlorine levels over the last eight years. Each day I let the cold water run several minutes, place the correct amount of water in the tubes and add the packet of DPO Free Chlorine Reagent to get the chlorine reading. I record those readings and turn in the monthly reports to Payroll Paycheck Services.

Also, yearly, when I am asked I am given containers to gather water samples from five other residents for testing of lead and copper.

Sincerely,

A handwritten signature in cursive script that reads "Diane Murray".

Diane Murray

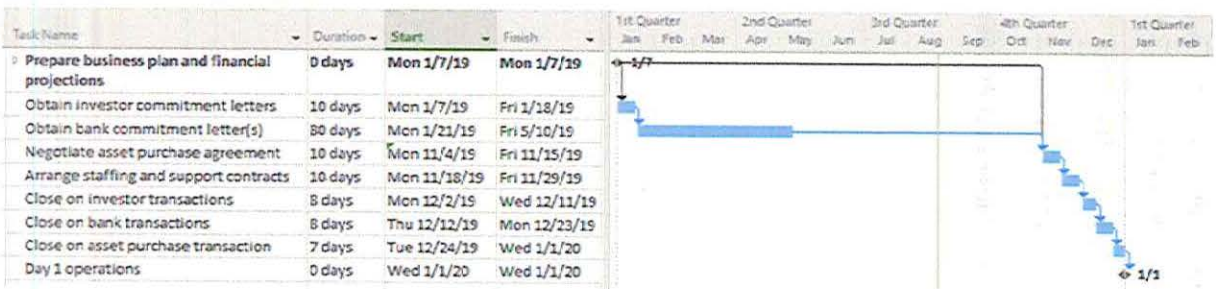
Appendix D – Engineering Summary and Assessment

The Engineering Summary and Assessment is voluminous and is available as a separate document. Please contact the person listed below to obtain an electronic copy of the document.

Mr. Richard DeWilde

573-547-6596

rtdewilde@sbcglobal.net



Appendix F – Support Services Contractors

- Earth First Contractors New service connections and repair to main lines
- Paycheck Payroll Services Accounting and back office services
- Charles Staffeldt Operations and maintenance
- Jeremy Meyer DS3 License water and Class A License wastewater
- Richard T. DeWilde
- Robert Welden General maintenance
- Brian Flentge Construction
- Diane Murray Chemical testing

Appendix G – Financial Projections

Financial projections for LPSC are available in editable Excel format for reviewing the financial analysis and performing supplemental calculations. Please contact the person listed below for the version of the Excel file corresponding to this document.

Mr. Richard DeWilde

573-547-6596

rtde wilde@sbcglobal.net

Schedule GJ-02

Confidential

Schedule GJ-03

Confidential

Schedule GJ-04

Confidential

Schedule GJ-05

Confidential

Schedule GJ-06

Confidential

Schedule GJ-07

Utility	Location	Original Rate	Rate after Acquisition	Increase
Hillcrest Utility Operating Company (Water)	St. Girardeau County	\$3.58	\$77.23	2057%
Hillcrest Utility Operating Company (Sewer)	St. Girardeau County	\$14.63	\$83.56	471%
Raccoon Creek (Sewer, Village)	Johnson County	\$23.48	\$79.74	240%
Raccoon Creek (Sewer, WPC)	Pettis County	\$38.12	\$95.76	151%
Raccoon Creek (Sewer, W 16th)	Pettis County	\$26.42	\$95.76	262%
Indian Hills (Water)	Crawford County	\$12.70	\$108.65	756%

