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BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

August 10, 2023

Jefferson City, Missouri

Volume 8

In The Matter of Confluence)
Rivers Utility Operating)
Company, Inc.'s Request for)
Authority to Implement a) File No. WR-2023-0006
General Rate Increase for Water))
Service and Sewer Service)
Provided in Missouri Service)
Areas)

CHARLES HATCHER, Presiding
SENIOR REGULATORY LAW JUDGE

SCOTT T. RUPP, CHAIRMAN
MAIDA J. COLEMAN,
JASON R. HOLSMAN,
GLEN KOLKMEYER,
KAYLA HAHN,
COMMISSIONERS

REPORTED BY:
Tracy Taylor, CCR No. 939

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A P P E A R A N C E S

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FOR: Staff of the Missouri Public Service Commission

1 JUDGE HATCHER: Let's go on the record.
2 My name is Charles Hatcher. I am the Regulatory Law
3 Judge presiding over today's hearing.

4 The Commission has set this time aside
5 for an evidentiary hearing in the general rate case of
6 Confluence Rivers Utility Operating Company. This is
7 Case Number WR-2023-0006. We'll go ahead and start
8 the proceedings with introduction of counsel. We'll
9 start with Confluence Rivers.

10 MR. MITTEN: Good morning, Your Honor.
11 Appearing on behalf of Confluence Rivers Utility
12 Operating Company are Russ Mitten and David Woodsmall.

13 JUDGE HATCHER: Thank you. And for
14 Staff.

15 MR. THOMPSON: Morning, Judge. For the
16 Staff of the Commission, Kevin Thompson, Post Office
17 Box 360, Jefferson City, Missouri 65101. Various
18 other of Staff counsel attorneys will be appearing
19 during this hearing. Thank you.

20 JUDGE HATCHER: Thank you. And for ease
21 of the court reporter, that reminds me, not just
22 Staff, but also for the Company, as we have other
23 attorneys come up to speak, if they could spell their
24 first and last name the first time that they come up.

25 For the Office of the Public Counsel.

1 MR. CLIZER: John Clizer. Do I need to
2 spell my name?

3 JUDGE HATCHER: No, I'm -- I'm sorry. I
4 meant as the attorneys who have not introduced
5 themselves. Mr. Thompson was referencing some of the
6 other Staff counsel that will be rotating in.

7 MR. CLIZER: John Clizer on behalf of the
8 Missouri Office of the Public Counsel. My contact
9 information is with the court reporter.

10 JUDGE HATCHER: Thank you.

11 And a quick announcement for those on
12 WebEx and those listening to the live stream. The
13 parties have reached a partial settlement. I'm
14 informed that this involves 11 issues. Two of those
15 issues were on today's calendar. Today's calendar had
16 included four issues, which is Recommended Reports,
17 Uncollectible Expense, Rate Case Expense, and Income
18 Taxes.

19 Uncollectible Expense and Rate Case
20 Expense are among the issues that have been settled;
21 therefore, the parties have informed me prior to -- to
22 our opening, that they intend to go forward with
23 opening statements and then the presentation and
24 witnesses for Recommended Reports and then Income
25 Taxes.

1 Another quick announcement we have: We
2 do have an agenda meeting for the Commissioners
3 scheduled today. That begins at noon. Therefore,
4 this proceeding will be taking a recess at 11:30.
5 That will allow technical staff to arrange their
6 set-up and for everyone involved to make their way
7 upstairs.

8 That will be an extra long break.
9 Depending on how far we get this morning, if we need
10 to come back this afternoon, I'm thinking until two
11 o'clock. The main reason is the agenda reading -- the
12 agenda meeting starts at noon, there is a presentation
13 by another utility company that will be occurring at
14 agenda, and then I do need to provide some time for
15 the Commissioners to eat.

16 So I am right now envisioning a break
17 from 11:30 to 2:00. We will circle back at 11:25 or
18 so to nail down and make sure that everyone agrees and
19 understands to that.

20 Last announcement on exhibits. I have
21 traditionally given the parties one week from the last
22 day of the hearing to turn in any exhibits that get
23 requested to be late filed or any exhibits that the
24 parties are going to be introducing during the hearing
25 that are not yet prepared or not yet on the exhibit

1 list. So I intend to make that August 24th. That's
2 the Thursday following the 17th.

3 MR. WOODSMALL: Your Honor?

4 JUDGE HATCHER: Yes.

5 MR. WOODSMALL: When you say "turn in,"
6 do we just submit those to the court reporter? Do we
7 put those ourselves into the EFIS? How do you want
8 that effectuated?

9 JUDGE HATCHER: We have -- we changed our
10 procedures during Covid and I have not fully changed
11 back. I'm not going to let the parties fail.

12 What I'm looking for is I will turn in
13 all of the pre-filed testimony. If it's in EFIS, the
14 Judge will take responsibility for marking and turning
15 that in.

16 The documents that I need you all to turn
17 in, and that can be printed copy to me, normal course
18 of business during the hearing, that can be as a
19 normal course of business during the hearing; the
20 Commission finds it wants some information and one of
21 the parties says we have that, but we're going to need
22 some time to get that together. I normally just put
23 all of that in a kitchen sink and call it due a week
24 after, because that fits in nicely with the
25 10 business days for the court reporter to do the

1 transcription.

2 MR. WOODSMALL: We'll make it work.

3 Thank you.

4 JUDGE HATCHER: Excellent. That is all
5 the announcements I have. Before we go to opening
6 statements, are there any issues to bring up?
7 Mr. Clizer.

8 MR. CLIZER: Really quick. I had
9 anticipated that we would have mini openings before
10 selective issues. Is that consistent with how the
11 Commission -- I'm seeing you nodding your head, so --

12 JUDGE HATCHER: Yes. For the record, the
13 Judge agrees that has been the practice as far as I've
14 been involved in the last however many hearings that
15 have multiple issues. That's fine with me. Are there
16 any objections for mini openings? Excellent. So
17 granted.

18 MR. CLIZER: Nothing further.

19 JUDGE HATCHER: Okay. Let's get to
20 opening statements. Confluence Rivers, please, go
21 ahead.

22 MR. WOODSMALL: Thank you, Your Honor. I
23 have a PowerPoint that's up on the screen. I guess
24 just initially, you may be wondering who's in the
25 witness box. Eric Rocchio is one of our regulatory

1 managers and he will be handling the advancement of
2 the screen because I'm a technical idiot.

3 JUDGE HATCHER: I highly doubt that,
4 Mr. Woodsmall. However, while you're handing out your
5 presentation, I would like to state for the record the
6 attendance of the following Commissioners:

7 Commissioner Glen Kolkmeyer, Commissioner Jason
8 Holsman, Commissioner Kayla Hahn, and we will be
9 joined by Commissioner Maida Coleman in mere seconds.
10 Is the Chairman on WebEx?

11 Okay. Go ahead, Mr. Woodsmall with your
12 Confluence opening statement.

13 MR. WOODSMALL: Thank you, Your Honor.
14 Good morning, Commissioners. David Woodsmall on
15 behalf of Confluence Rivers Utility Operating Company.
16 It's nice to see you all again.

17 Throughout my 30 years of practice before
18 the Missouri Public Service Commission, I've noticed
19 that oftentimes attorneys, including myself, fail to
20 present their cases and issues with any consideration
21 of the big picture. Attorneys fall into the trap of
22 single-minded focus on the intricacies and nuances of
23 their issues. That type of approach, however, does a
24 disservice to you as the Commission.

25 You see, in my mind, Commission is

1 supposed to do more. The Commission is supposed to be
2 judging issues in light of the bigger pol- -- policy
3 issues, in light of the bigger picture, in light of
4 how you want utilities to proceed in Missouri. The
5 Commission is supposed to see the bigger picture and
6 I'm supposed to tell you our view of the bigger
7 picture.

8 As I'm going to show you in a bit,
9 Missouri has an overwhelming problem with thousands of
10 small distressed water and wastewater systems.
11 Probably more than any other case in the past
12 30 years, this case provides the Commission to -- the
13 opportunity to assess this mammoth problem.

14 Second, to create policy goals targeting
15 this problem.

16 And third, to consider how its
17 rate-making decisions on issues presented will affect
18 those hin- -- those policy goals.

19 Throughout this case, you will be
20 inevitably asked to decide several issues. Your job,
21 however, is to go much further, as I mentioned. So
22 while the Commission will be asked to decide whether a
23 cost is a repair expense or capitalized investment, I
24 ask you not to decide that issue in a vacuum.

25 In fact, please don't decide any issue

1 with blinders on. Instead, I'm going to repeatedly
2 ask you to decide the issues in this case with a view
3 towards that bigger picture.

4 Since most of you have never heard of
5 Confluence River, or before this case may not have
6 heard of Confluence River since you've never heard a
7 rate case involving a predominantly sewer company, and
8 given Confluence Rivers' novel business model, we have
9 a lot to tell you today. So fasten your seat belts.

10 Here you see a list of the topics that
11 I'm going to discuss today. We'll talk about the
12 bigger picture that I just referred to. Not only on a
13 national level, but that bigger picture on a Missouri
14 state-specific level. I will then discuss the
15 Confluence River business model. Finally, I'll go
16 through some of the larger issues in this case.

17 Moving onto the topic of contents that
18 shows the national big picture, let's start with a
19 discussion of that national big picture. This video
20 will show on a national level the problems with
21 deteriorated water assets and the lack of capital to
22 fix those assets.

23 Importantly, this is all firsthand
24 information. These are all systems -- among the 850
25 that CSWR owns, these are all systems that we own that

1 we've rehabilitated.

2 (Video played.)

3 MR. WOODSMALL: So how did this problem
4 come about? It has been decades in the making. A
5 Wall Street Journal article talking about the crisis
6 of confidence in America's tap water.

7 Because of the size of the United States
8 and the way in which land has developed, the water and
9 wastewater industry has become incredibly fragmented.
10 Unlike electric service, which developed through
11 federal programs involving rural electrification,
12 governmental entities like the TBA, as well as the
13 merger and interconnection large electric utilities,
14 water and wastewater services developed in more of an
15 ad hoc, a one-off basis.

16 Developers have developed land and
17 constructed houses and subdivisions and in order to
18 provide the necessary services so they could sell
19 those homes, the developers developed the water and
20 wastewater systems. This is the -- so the developers
21 put in sewer mains, water mains, drinking water
22 facilities, wastewater treatment plants.

23 So unlike electric service, individual
24 subdivisions and communities may all have their own
25 water and wastewater services. This is the -- exactly

1 the situation you've seen down at the Lake of the
2 Ozarks. Dozens and dozens of small water and
3 wastewater systems that are not interconnected in any
4 way, run by different owners and different managers.

5 As a result of this ad hoc development,
6 the water and wastewater industry in the United States
7 has become incredibly fragmented. Today, according to
8 Bluefield Research, a utility research agency, there
9 are over 70,000 water utilities in the United States.
10 To put that in perspective, Bluefield indicates that
11 there are only 11 such utilities in England; 70,000
12 versus 11. Incredibly fragmented.

13 But just because an industry is
14 fragmented, however, does not mean that it must
15 necessarily be characterized by distressed systems.
16 Why did that happen? Why are these systems so
17 distressed?

18 As I mentioned, these water systems were
19 often installed by developers. But we all know that
20 while they install these utility systems, these
21 developers are really not interested in operating a
22 water utility. They want to be developers of
23 subdivisions. They want to build houses. They want
24 to make money and get gone.

25 Recognizing that no one will buy a house

1 that doesn't have water and sewer service, however,
2 the water system became a necessary evil to their
3 overall goal of building the subdivision.

4 Once the subdivision is complete,
5 however, the real dilemma begins: What to do with the
6 water utility. In some cases, the developer will
7 continue to operate the utility as a regulated utility
8 subject to your supervision. In other cases, the
9 developer will turn that water utility over to the
10 homeowners association. In other cases, the developer
11 will just simply walk away, not my problem anymore.
12 This is the beginning of the death spiral that we have
13 seen far too many times in the United States and in
14 Missouri.

15 Whether owned by the developer or the
16 homeowners association, that water and wastewater
17 system is not set up for inevitable failure. The
18 system is not professionally operated and managed.

19 How many homeowners associations do you
20 think know how to operate a water and wastewater
21 system? How many homeowners associations do you know
22 that know how to determine the need for system
23 aeration or the need for -- and the timing for the
24 pumping of sludge out of the plant? How many
25 homeowners associations do you think know how to

1 address a wastewater system that has had its
2 biological activity wiped out because someone flushed
3 paint thinner down the toilet?

4 Beyond these operational necessities, the
5 water system owner, whether it's a developer or an
6 HOA, also doesn't know how to take proper sampling.
7 Furthermore, the owner is not aware of increasingly
8 stringent changes in effluent limits promulgated by
9 the EPA. The owner's not aware of operational process
10 improvements that could be made to meet those effluent
11 systems.

12 Moreover, the owner doesn't know how to
13 maintain the system. How many of these owners do you
14 think know how to grease or maintain a blower, an
15 aerator or a lift station or why they need to crawl
16 down into a lift station?

17 Given the lack of technical expertise,
18 the system is further set up to fail. Eventually,
19 after failing to submit samples or operating the
20 system in a professional manner, the DNR becomes
21 involved. Now the trouble really starts.

22 DNR begins taking samples of their own.
23 DNR begins sending notices of noncompliance. For a
24 regulated system, the owner may want to make
25 improvements to address the problem, but they don't

1 know how to pursue a rate case in Missouri. They
2 don't know that they have to front the capital to make
3 improvements before they can get it into rates. They
4 don't know where to find the capital to make those
5 improvements so that they can then get it into rates.
6 The death spiral just keeps spinning.

7 Without being able to front the money,
8 the owner is also not permitted to seek a rate
9 increase. Now you see the downside of a utility with
10 a lack of financial capability.

11 Ultimately, the owner will throw their
12 arms up in frustration. DNR will now have the
13 Attorney General move in and take action against the
14 system. Or the Public Service Commission, as it often
15 has, will seek to have the system placed into a state
16 supervised receivership. Or perhaps, without DNR or
17 Public Service Commission even knowing about it, the
18 owner will now walk away, unable to figure their way
19 out of this death spiral.

20 Now the State has a problem. But not
21 just the State. You have a problem. See, Public
22 Service Commission is the entity that people look to
23 to guarantee they're getting safe and adequate
24 service.

25 So when all this happens, what are you

1 going to do to reach -- to meet these assurances?

2 This is the bigger picture underlying the existence of
3 the CSWR, as well as the issues in this case.

4 So let's talk about the bigger picture in
5 Missouri. How big is this problem in Missouri? It's
6 huge. While there are 70,000 community-based water
7 and wastewater systems in the United States, a
8 disproportionate number of those are located in
9 Missouri. 4,500 of these community-based water
10 systems in Missouri, almost 6.5 percent. Just on a
11 pure state level, you'd expect to see 2 percent.
12 Missouri has 6.5 percent of these.

13 Of those 4,513 community-based systems in
14 Missouri, almost 2,900 have experienced noncompliance
15 in the past three years. In fact, according to the
16 EPO's -- EPA's ECHO database, almost half of all
17 drinking water systems have had non-compliance in the
18 last three years. Worse still, almost 71 percent of
19 the wastewater systems have been in a state of
20 noncompliance over that same period.

21 Despite the almost overwhelming nature of
22 these statistics, other than to acknowledge Confluence
23 Rivers' mission statement, Staff and Public Counsel
24 make essentially no reference to this bigger picture.
25 Staff and Public Counsel do not even recognize, in

1 their testimony of the biggest sewer case you will
2 ever hear, of this overarching problem.

3 They don't say how their issues in this
4 case reflect that problem, how the issues in the case
5 and their positions may help to solve this problem.
6 How do Staff and Public Counsel propose to address
7 this problem? They don't and they never have.

8 Who does propose to fix this problem?
9 Confluence Rivers. In 2015, Hillcrest Utility
10 Operating Company, one of the Confluence River
11 predecessor companies, purchased its first system.
12 Now known as Hillcrest, the system is located in Cape
13 Girardeau County and serves approximately 250 water
14 and wastewater customers.

15 A description of the condition of that
16 system should be very familiar with you -- for you by
17 now since it would be repeated in dozens and dozens of
18 subsequent applications for acquisition.

19 The Hillcrest system was under a pending
20 AG enforcement action associated with the existence of
21 pathogens in the drinking water. In fact, that system
22 had just -- when it was purchased, was under a
23 month-long boil water or- -- or water boil order.

24 Reflecting the death spiral that I just
25 talked about, the previous owner indicated he didn't

1 have the capital to put in the necessary chlorination
2 to treat the presence of pathogens. He didn't have
3 the capital. His responsibility, he didn't have the
4 capital to put in chlorination. And because he didn't
5 have the capital, he couldn't get the rates to do it
6 either. The death spiral. The system also lacked
7 adequate storage or back-up power.

8 Similarly, the Hillcrest sewer system was
9 under an AG enforcement action as well and was
10 discharging pathogens into the local waterways that
11 kids were playing in. Consistent with the death
12 spiral I just discussed, at the time of its purchase,
13 Hillcrest system had not had a rate increase in
14 35 years.

15 Reflecting its lack of understanding of
16 the big picture as well its role as the constant
17 obstacle towards anybody trying to attack this
18 problem, Public Counsel questioned whether Hillcrest,
19 in its acquisition, had the technical, managerial or
20 financial capability to operate this system. Instead,
21 they preferred the status quo.

22 Ultimately, the Commission approved this
23 acquisition based upon a Non-Unanimous Stipulation
24 between the Company and the Staff. But Public Counsel
25 refused to support. It's become a constant theme in

1 Missouri.

2 Confluence Rivers then purchased and
3 fixed systems elsewhere and Public Counsel stood in
4 the way. In 2017, another Confluence River
5 predecessor company, Elm Hills Utility Operating
6 Company, sought to purchase the Missouri Utilities
7 water and wastewater system. At that time Missouri
8 Utilities had been under a court-supervised
9 receivership for almost 20 years.

10 Again, the Commission approved a
11 Non-Unanimous Stipulation between the Company and
12 Staff, but Public Counsel refused to support it.
13 Again, the status quo was better to them.

14 Again, in 2018, Elm Hills sought to
15 purchase the Twin Oak system. And again, Public
16 Counsel raised impediments. All told, Elm Hills made
17 several more acquisitions of noncompliant water and
18 wastewater systems. Almost without failure, Public
19 Counsel raised concerns and obstacles.

20 And despite Public Counsel's concerns,
21 the Commission approved those acquisitions. So not
22 only is Public Counsel seemingly incapable of
23 recognizing the bigger problem here, it's also
24 incapable of presenting any type of solutions.

25 But worse still, when a solution is

1 placed in front of them, they're incapable of seeing
2 it. Today Elm Hills systems are back in a state of
3 compliance and providing environmentally friendly
4 utility service.

5 (Video played.)

6 MR. WOODSMALL: So before I move on, one
7 of the things that's not said there is the
8 implications of Confluence River coming in and buying
9 these systems. Some of these systems were under
10 moratoriums.

11 Some of these systems were so bad that
12 federal lending institutions, mortgage lenders would
13 not lend money for people to buy these houses. So if
14 you owned a house in this community and you needed to
15 move, tough. You're not getting out of there.
16 Mortgage lenders would not lend money for people to
17 buy in this community because of the water and
18 wastewater systems.

19 Since they've gone in and fixed these, it
20 has rejuvenated this community. You can now get money
21 to buy and sell these houses. The moratorium has been
22 lifted by Department of Natural Resources. New houses
23 are being built.

24 Before I move on, I'll just volunteer for
25 you that Mr. Cox will be here on a multitude of

1 issues. He's been to every one of these systems. He
2 can talk backwards and forwards about every one of
3 these systems. He knows about all these problems with
4 the moratoriums. I invite you to ask him any
5 questions you may have. He'll be up first thing
6 tomorrow morning on the issue of consolidation.

7 So how does Confluence Rivers effectuate
8 its acquisition of troubled systems? Relevant to a
9 later issue in this case, Confluence Rivers acquires
10 the assets of troubled systems, but not the stock of
11 the utility that sells the distressed ut- -- the
12 distressed system.

13 The acquisition of assets versus the
14 acquisition of stock of the troubled company is a
15 critical distinction. In the event that Confluence
16 Rivers acquired the stock of the company, it would
17 then own the company. Part and parcel of that
18 acquisition of stock, though, would be Confluence
19 River assuming all the liabilities.

20 So if the own- -- if the seller owed
21 fines associated with environmental problems, if we
22 bought the stock, we would be taking on all the
23 liability for those fines. If the previous seller had
24 not been paying their employees, if we bought the
25 stock, that would become our problem.

1 But by buying assets, Confluence River is
2 not assuming any of these liabilities. Once it has
3 been assured that it has clean title to all the assets
4 and can actually access the land mains and treatment
5 facilities, only then will Confluence River close on
6 the purchase of assets. But all the associated
7 liabilities remain behind with the seller.

8 So, much as if you bought a used car, you
9 would be buying the car. But if the previous owner
10 hadn't been paying property taxes, that's on him, not
11 on you. Buy the assets, not the company.

12 Another key point is that Confluence
13 Rivers seeks to work out agreements called Agreements
14 on Consent with the Department of Natural Resources.
15 This is an -- this agreement is an acknowledgment by
16 the DNR that it will give Confluence River a
17 reasonable period of time to resolve the problems in
18 this system.

19 The agreement is a reflection of the fact
20 that no one would dare purchase this agreement if on
21 one day one, they're subject to environmental
22 liabilities. So we work out these AOCs with the
23 Department of Natural Resources. Department of
24 Natural Resources recognize that Confluence River
25 needs this opportunity.

1 Today, through this business model of
2 buying assets, through the business model of working
3 out AOCs to give time to renovate these systems,
4 Confluence River and its predecessor companies have
5 acquired roughly 70 Missouri water and wastewater
6 systems through 36 acquisitions. Of those 70, 68 were
7 in a state of noncompliance. Sixty-eight were part of
8 the bigger picture I was just telling you about.

9 One of the only instances in which it
10 wasn't in a state of non-compliance was an elderly
11 gentleman that perceived he was on death's bed and
12 needed Confluence River to take this over so someone
13 could operate it. There, Confluence ref- --
14 Confluence Rivers represented his only chance of
15 making sure service was continued to be provided.

16 Some of these acquisitions were the
17 result of hard work. Out there hitting the pavement,
18 talking to homeowners, homeowners associations, and
19 other entities and seeing if they wanted out of the
20 utility business.

21 More typically, however, the work has
22 come to us. More typically, Confluence River has been
23 asked by state entities to fix these problems. For
24 instance, of these acquisitions, the Department of
25 Natural Resources purposely sought out Confluence

1 Rivers repeatedly and asked it to acquire noncompliant
2 systems.

3 Today, Confluence River has acquired at
4 least nine companies in a multitude of systems at the
5 request of DNR. In fact, based upon its past ability
6 to come through for DNR to take over its biggest
7 problems, DNR submitted a letter for use in this
8 document -- in this docket which lauded the efforts of
9 Confluence River.

10 There's a copy of that. That letter
11 states, in part: When systems are unable to resolve
12 their technical, managerial or financial problems, one
13 reliable solution is selling the system to a higher
14 performing utility operating company.

15 In Missouri, Confluence River is one of
16 the few utility operating companies who is willing to
17 acquire some of the most difficult, failing systems.

18 Confluence River has consistently taken
19 swift actions after taking control of these systems to
20 bring them into compliance by employing qualified
21 operators, effectively administering and managing the
22 system, and investing in repairs and upgrades.

23 Confluence Rivers' willingness to acquire
24 systems with long-standing compliance issue has proven
25 to be beneficial to human health and the environment

1 by bringing many of these systems into compliance with
2 environmental laws.

3 So why did DNR agree to submit such a
4 letter on behalf of Confluence River? From what you
5 can tell, it's just me telling you about it. But I
6 can show you why they did it. Let's look at some of
7 the pictures of a system that you heard about a lot
8 down in Farmington, the Terre Du Lac system, a system
9 that DNR asked Confluence River to re- -- acquire.

10 These pictures show several assets at
11 that system with both the condition at the time it was
12 purchased, as well as a photo of Terre Du Lac after
13 Confluence River had finished restoring the life of
14 the asset.

15 Here's the Confluence River clarifier.
16 Now, I'll speak loud so they can pick it up. But here
17 is a before shot. The clarifier, the weir. The --
18 what's supposed to happen is the -- it's supposed to
19 kind of skim it off. That the sludge is supposed to
20 maintain in here, the wastewater goes here, ultimately
21 goes out for disinfection and discharge.

22 But you can see here it's not working.
23 Look at the amount of sludge. The amount of sludge,
24 it's going to be discharged out into the receiving
25 waters.

1 The after shot. Look how it's cleaned
2 up. Look how the water looks. Before and after.

3 Another picture of the Confluence River
4 problem is the oxidation -- is the oxidation ditch.
5 The way an oxidation ditch works is there's a wheel
6 here. This wheel spins. The wheel is throwing up
7 water, it's aerating the water --

8 JUDGE HATCHER: Mr. Woodsmall, we have a
9 question from a Commissioner. Commissioner, go ahead.

10 COMMISSIONER HOLSMAN: Thank you. Back
11 to the Terre Du Lac. What is the time frame from the
12 time that you get it from the before photo to the
13 after? How long does that take?

14 MR. WOODSMALL: Depends on the asset.
15 Mr. Cox can give you exact information. Many of these
16 require DNR permitting. So you have to go through
17 engineering plans, you have to get the DNR permitting,
18 you have to do the construction. I don't know. A
19 year? Roughly a year.

20 But I'll show you some pictures later of
21 the things that we were able to do in the short term,
22 within 50 days, to turn around the operations. And
23 you'll see the effluent and the differences that not
24 only we make in the short term, but in the long term.
25 So some of the longer term --

1 COMMISSIONER HOLSMAN: Approximately a
2 year, right?

3 MR. WOODSMALL: To get everything done.

4 COMMISSIONER HOLSMAN: Okay. Thank you.
5 Thank you, Judge.

6 MR. WOODSMALL: Here's the oxidation
7 ditch. What happens here is wastewater moves around
8 this ditch. But when it reaches here, this wheel is
9 supposed to be turning, kicking this wastewater up in
10 the air, aerating it.

11 What you see, the wheel is dead in the
12 water. It doesn't have -- it's not doing anything.
13 There's no wastewater coming off of it. There's no
14 aeration. Even if it wanted to, this sludge dam is
15 keeping everything backed up. It's dead.

16 Here's the after. Whoops. Here's the
17 after. You can see it's throwing up the water. It's
18 aerating. There's no sludge dam. The water is
19 moving, it's being treated, it's being aerated.
20 Before and after.

21 Another part of the Terre Du Lac system
22 is the three-cell lagoon. Here you can see the
23 before. Here's one of the cells, one of the cells.
24 All the vegetation, the duckweed on there. A mat of
25 duckweed that thick is a problem. What it means is

1 the air can't get down to the wastewater. It can't
2 aerate it. There's no treatment. The vegetation.
3 What you have here are muskrats digging into the
4 berms. Threatening the whole efficacy of the system.

5 Here's the after. Duckweed's gone.
6 Aerator installed. The berms have been cleared out.
7 The muskrats have been eliminated. Treatment's
8 happening.

9 Let's look at the water side. Terre Du
10 Lac drinking water tank. This thing hasn't been
11 maintained for decades. Look at that thing. But
12 worse, look at the inside. Look at this sludge and
13 funk that's sitting there at the bottom of that tank.
14 People are drinking that stuff.

15 The after picture. Painted, cleaned up,
16 recoated. That's the Terre Du Lac system.

17 It's no wonder then why DNR is
18 appreciative of the actions of Confluence River in
19 acquiring and resolving their biggest violators.

20 Further supporting DNR's assessment of
21 Confluence River as a -- as a great actor in Missouri
22 is that Confluence River is now the most tested water
23 and wastewater utility in the state of Missouri. Most
24 tested. We operate more systems in Missouri than even
25 Missouri American. They're bigger, they have

1 something like St. Louis County with hundreds of
2 thousands of customers. But we own more.

3 What that means is we're tested for
4 everyone of those systems. From the moment the water
5 comes out of the ground at the well, we're tested. To
6 the moment it comes down the discharge out of the
7 wastewater treatment facility and into the receiving
8 waters, it's tested again.

9 All told, Confluence River has submitted
10 approximately 4,700 wastewater samples and almost
11 30,000 drinking water samples. A lot of samples. But
12 you know what's more impressive? The almost
13 perfection that's seen with these. In those
14 approximately 35,000 water and wastewater samples,
15 Confluence River is -- has only had an exceedance
16 30 times. Out of 35,000 samples, only 30 times.

17 The DNR letter applauding Confluence
18 River is not an aberration, however. Here's a
19 river -- here's a letter that was submitted on behalf
20 of CSWR's affiliate in Mississippi. And this is
21 important. The CSWR affiliate in Mississippi, Great
22 River Utility Operating Company, operates under the
23 exact same business model. It buys assets. It works
24 out agreements on consent. It uses third-party
25 operations.

1 So based on that business model, what did
2 the Department of Health in Mississippi say: As you
3 may be aware, Great River has recently acquired
4 several drinking water systems across the state.
5 Great River Utility has worked closely with the
6 Bureau, the Department of Health's Compliance and
7 Field staff to maintain compliance with the various
8 rules and regulations of the Safe Drinking Water Act.

9 A viable entity such as Great River
10 Utility desiring to help problematic drinking water
11 systems buy investing in them for improved systems to
12 utilities is very appreciated and supported by the
13 Bureau. The Bureau appreciates Great River Utility's
14 commitment to improved regulatory compliance and the
15 Bureau remains committed to our partnership with PSC
16 to find sensible and feasible solutions to shared
17 problems.

18 This is a common theme across all the
19 13 states. We go in, we fix the problems for the
20 relevant Department of Natural Resources and they show
21 appreciation.

22 Requests to acquire troubled systems are
23 not, however, limited to the Department of Natural
24 Resources. Repeatedly the Commission Staff has asked
25 Confluence River to acquire some of their more

1 troubled regulated systems. These systems were
2 typically the subject of an AG compliance action that
3 con- -- or a court-supervised sup- -- receivership.

4 When you have one in which the owner just
5 walks away -- you've seen it, you've been through
6 it -- you send your general counsel to the Court and
7 ask them to place that under receivership. And what
8 happens? Those sat there for decades and decades.

9 Confluence River comes in at Staff's
10 request and acquired these systems. We fix the
11 problems. In fact, of the 36 total acquisitions that
12 Confluence River has made, 20 of these were Missouri
13 regulated systems. And of those, the 20 problems that
14 we took on, 19 were out of compliance.

15 Clearly then, Confluence River has been
16 the historical solution that Staff has taken to assure
17 that customers are provided safe and adequate service.

18 So just as I showed you one for a DNR
19 system that we were asked to take over, here's one
20 that the Staff asked Confluence River to take on.
21 This is the Missouri Utility's water tank. This
22 system was mired in a receivership for over ten years.

23 From this -- these pictures, you can see
24 why. Look at the outside of that thing. Look at the
25 exposed wire. Look at just chemicals strewn about.

1 Look at the rust.

2 The after pic. Rust sanded down, primed,
3 painted. No exposed electrical.

4 Let's look at the interior because it's
5 worse. Four inches of sludge and funk sitting in the
6 bottom of that tank. Four inches of rust being
7 ingested because no one had bothered to clean that
8 out. It's no wonder Staff and the Commission sought a
9 receivership for that. But absent Confluence River,
10 that stuff would still be there.

11 Here's the interior of it now. Again,
12 sludge removed, rust has been sanded, primed, painted,
13 pristine.

14 As you can see then, given the
15 improvements seen at this and other systems, Staff
16 once looked at Confluence River as the answer to its
17 problems as well. That now seems to be changing.

18 Based on its repeated willingness to take
19 over troubled reg- -- regulated systems at the urging
20 of the Staff, as well as the rate-making positions
21 that Staff has previously suggested in a multitude of
22 previous Staff-assisted rate cases, Confluence Rivers
23 thought that Missouri was an environment in which it
24 could continue to invest and acquire.

25 Despite the presence still of almost

1 3,000 troubled systems, the viability of further
2 acquisitions by Confluence River or anybody else based
3 upon the positions taken in this case must be
4 questioned.

5 So let's talk about some of the issues in
6 this case. Let's talk about some of the issues that
7 Staff and Public Counsel have raised to place further
8 acquisition into question.

9 As an initial matter, I want you to think
10 of one thing as you hear their positions. Think back
11 to those local public hearings when you heard people
12 griping about their rates increasing. And I'll tell
13 you they were griping because those rates have been in
14 effect for 30 years.

15 But I want to put this in -- into
16 perspective. Conflu- -- CSWR is the parent entity.
17 Confluence River, as the Missouri entity, has no
18 employees. Instead, CSWR does services for Confluence
19 River and those services are then -- the cost of those
20 services are then allocated.

21 But think about this. To manage
22 850 systems in 13 states, CSWR does that with
23 70 employees. Seventy employees managing the
24 operations, the maintenance, the engineering, the
25 legal, the finance, the billing for 850 systems.

1 But let's make that more real for you.
2 Seventy employees, but in this case, Staff and
3 Confluence River agrees that roughly 8 percent of
4 those costs should be allocated to Missouri. So what
5 does that mean? 8 percent of 70 employees? That
6 means 5.6 employees being allocated to Missouri.
7 5.6 employees running 68 systems in Missouri. That's
8 cost containment. And in the year and a half I've
9 been there, I can attest to that personally.

10 That said, here are some of the issues
11 that will likely cause potential purchasers to
12 question future Missouri acquisitions. Let's start
13 with Public Counsel. As I mentioned, Public Counsel
14 has been a constant obstacle to Confluence Rivers
15 in -- for almost ten years. Public Counsel's
16 opposition in this case was not ex- -- unexpected. We
17 know it was going to happen. They just can't see the
18 light.

19 I'm going to address OPC's largest issue.
20 In its rebuttal testimony, Dr. Marke suggests that
21 Missouri ratepayers have been harmed by Confluence
22 Rivers' utilization of third-party operators.

23 Let's look at this. Dr. Marke's rebuttal
24 testimony without lac- -- while lacking any experience
25 in the water or wastewater industry, any experience,

1 let alone any operational experience, OPC took to
2 simply drawing boxes on a map. By drawing boxes
3 around the map of facilities, OPC definitively
4 concludes that Confluence River could be run by nine
5 operators. Draw map -- draw boxes on a map, count to
6 nine, boom. That's their idea of staffing an internal
7 operations team.

8 OPC then suggests, based on a 2021
9 internet data -- database, that each operator could be
10 paid 48,000 in salary and benefits. After including
11 taxes and other items, OPC suggests that these
12 operators would cost a total of 540,000. OPC
13 generously grants another 60,000 for overtime.

14 So OPC says, based on boxes on a map,
15 that an internal operation team would cost \$600,000.
16 Since Confluence Rivers spends, though, 1.69 million
17 for third-party operations, OPC recklessly levels the
18 accusation that Confluence Rivers has been, quote,
19 imprudent. Boxes on a map, imprudent.

20 And recommends that the Commission reduce
21 the Company's revenue requirement by over one million
22 dollars. Based on a kindergarten drawing mo- -- boxes
23 on a map.

24 The silliness of OPC's conclusion is not
25 only shown by the facts that it states in its

1 testimony, but also by its ignorance of legal work
2 safety requirements. Here you see part of a table
3 from Dr. Marke's -- page 11 of his rebuttal testimony.
4 This is a breakdown of the responsibility of just two
5 of the operators.

6 While OPC suggests that operator number
7 six would only be responsible for two current systems
8 in Boone and Audrain County, it then concludes that
9 operator number three should be responsible for
10 13 systems. I don't know about you, but I'd much
11 rather be operator number six than operator number
12 three. That said, the area addressed by operator
13 number three in the previous map is roughly 2,150
14 square miles.

15 So let's work through the math here.
16 Recognizing that operator number three is required to
17 visually inspect each system three times a week,
18 recognizing there's 13 systems, operator number three
19 is expected to do 39 site visits in a 40-hour
20 workweek.

21 At just an hour per site visit -- and
22 I'll tell you, I've been to these places. That's
23 conservative. Operator number three would spend
24 39 hours a week doing site visits. But that doesn't
25 account for any of the drive time in this 2,150 square

1 mile box. That doesn't count for any maintenance.

2 What if this guy goes out there and
3 there's a spill, there's a blower out, there's
4 something not working? Tough. I don't have time to
5 get to that because OPC says I need to get over to
6 this other system.

7 Mr. Cox will tell you, however, that a
8 site visit takes much longer than an hour. Still
9 again, by suggesting that operator number three can
10 conduct 39 hours of inspection in a week, OPC
11 effectively leaves zero drive time for 2,150 square
12 miles. Clearly OPC's recommendation is not based in
13 reality.

14 As I mentioned, OPC's recommendation is
15 also ignorant of legal work safety requirements.
16 While it says that one operator can do 13 systems, it
17 fails to account for OSHA requirements.

18 OSHA requirements say that if you're
19 dealing with a confined space, you have to have two
20 people there, sometimes three people. If you're going
21 down into a lift station, the guy going into the lift
22 station must be there, an entry supervisor that's
23 cleared it all must be there, and there has to be an
24 attendant there. So while OPC says one person can do
25 these systems, in most of the times it takes two or

1 three.

2 Let's look at the OSHA fact sheet. As
3 that fact sheet states: Confined spaces can present
4 conditions that are immediately dangerous to workers
5 if such conditions are not properly identified,
6 evaluated, tested and controlled. This fact sheet
7 highlights many of the confined space hazards
8 associated with sewer systems.

9 But it goes deeper. It tells you where
10 these confined spaces are in a wastewater system:
11 Sewer systems are extensive and include many different
12 components that are considered confined spaces,
13 including pipelines, manholes, wet wells, dry well
14 vaults, and lift pump stations. Therefore, employers
15 conducting work in sewer systems will likely have
16 workers who will encounter confined spaces.

17 OPC says one person can do it.

18 From this fact sheet, OSHA rec- --
19 readily recognizes the prevalence of confined spaces
20 in sewer state -- in sewer systems. Sewer systems
21 have a great deal of assets that are considered
22 confined spaces.

23 The important conclusion from all these
24 OSHA regulations is that since wastewater systems rely
25 extensively on confined spaces, many of the functions

1 that OPC definitively concludes can be done by one
2 cus- -- by one operator requires two or three
3 operators. Thus, simply by considering OSHA
4 regulations that OPC ignored, it's not nine. Now
5 we're all the way up to an 18 team -- internal
6 operations team.

7 Ultimately, given supervisory needs,
8 however, and other requirements, including more
9 experienced systems, Mr. Cox concludes that an
10 internalized operation staff would require
11 22 operators. This number is not inflated. This
12 isn't simply to make the analysis look good.

13 After submitting this analysis in its
14 surrebuttal, Public Counsel asked a data -- data
15 request to have us identify every operator that works
16 on our system. Public Counsel -- instead of asking
17 this before they just blindly said nine operators,
18 Public Counsel, based upon our surrebuttal, says maybe
19 we should do some work. Maybe we should delve into
20 it. Maybe we should ask how many are currently doing
21 it.

22 In that data request, we told them last
23 year 21 operators worked on our systems. OPC says
24 nine.

25 The deficiency of OPC's simplistic

1 analysis goes well beyond the suggested number of
2 operators, however. As mentioned, based upon a 2021
3 database, OPC suggests that this operator would only
4 need a salary of \$48,000. As Mr. Thies in his
5 surrebuttal states, however, OPC's compensation
6 analysis is oversimplified.

7 First, as Staff even recognizes, that
8 database is two years old. Need to reflect cost of
9 living adjustments. And there's been inflation in the
10 last two years. People aren't willing to work for the
11 same amount of money as they did two years ago.

12 Moreover, the Bureau of Labor statistics
13 states that taxes and benefits are 29.5 percent of an
14 employee's compensation. Accounting for just these
15 two changes, cost of living and adjustments and taxes
16 and benefits, that entry level operator -- entry level
17 operator would need a salary of \$78,000.

18 Finally, OPC fails to account for the
19 need that we now have to provide trucks and tools to
20 this internalized labor team. Also, what about the
21 cost for where we're going to store the chemicals?
22 What about the excavators? What about the extra pumps
23 and blowers and aerators and all those things? You
24 think these internal operators are going to let us
25 store that in their garages?

1 We're going to need warehouses all over
2 the state to hold all this equipment. It's not simply
3 a matter of drawing boxes and multiplying by 48.

4 All told, based on 22 operators, the
5 total cost of an internal operations team, including
6 just compensation, benefits, vehicles and tools, is
7 2.2 million dollars. Last page of Mr. Thies'
8 surrebuttal testimony.

9 Think about that. 2.2 million dollars.
10 We're getting third-party operations for 1.6 million.
11 But OPC says we've been imprudent because it can draw
12 boxes on a map.

13 Let's move to Staff's positions. As I
14 mentioned, based upon Staff's repeated urging that
15 Confluence River acquire troubled systems at the
16 urging of Staff, as well as the rate-making positions
17 it has taken in previous rate cases, Confluence River
18 thought it had a road map that would allow for
19 continued investment in Missouri. As I indicated,
20 that conclusion must now be reconsidered.

21 Undoubtedly you've heard the phrase,
22 quote, "regulatory certainty." What is regulatory
23 certainty? Regulatory certainty means that a utility
24 or any other entity investing in this state needs to
25 know the rules of the road. How are those costs going

1 to be treated? Mr. D'Asan -- D'Ascendis, in his
2 return on equity testimony, will tell you regulatory
3 risk is one of the business risks that a utility must
4 account for and be compensated for.

5 In this case, the road map for
6 acquisitions have changed. And Staff has suddenly let
7 the -- let the specter of regulatory uncertainty rear
8 its ugly head. Now relative to all the other states
9 in which CSWR operates, the viability of further
10 investment in Missouri is much less attractive.

11 We've gone through rate cases in Texas,
12 Louisiana, Mississippi, two of them in Kentucky. I
13 don't even know if I've hit them all. We have never
14 seen any of these positions of Staff raised in those
15 other cases. These issues that I'm going to tell you
16 about, those are novel to Missouri, not presented in
17 any other state, a complete 180 from what Staff has
18 done before. That's the definition of regulatory
19 uncertainty. That is the definition of making
20 Missouri less attractive than other states.

21 At a time when Missourians are suffering
22 from service from almost 3,000 noncompliant water and
23 wastewater systems, Staff has threatened the viability
24 of their only solution continuing to invest in
25 Missouri.

1 As part of the acquisition of the assets
2 of the distressed water system, let's talk about
3 preliminary engineering cost. But as part of its
4 acquisition, we buy assets. We don't buy stock. So
5 when we go in, obviously you're going to incur
6 preliminary engineering costs.

7 Such costs include an identification of
8 assets, suggested necessary improvements, analysis of
9 condition of the assets, a determination of available
10 capacity, some validation of the number of current
11 customers, as well as the ability to add more
12 connections. That's what preliminary engineering
13 costs.

14 Those reports are given to Staff in every
15 acquisition case. Staff finds them valuable or else
16 they wouldn't be asking for them. You know what
17 happened here? Staff disallowed them.

18 Other engineering costs are associated
19 with the attempts to start mapping the assets. As
20 Mr. Thomas will tell you, this is never a finished
21 project, as we continually find manholes and lines
22 buried under the brush in the woods.

23 That said, it's important to get this
24 started. Not only for operational purposes, but to
25 comply with state requirements. Missouri One Call,

1 set up by the General Assembly, requires us to map
2 this stuff. We get started mapping and Staff
3 disallows the cost.

4 These are the type of preliminary costs
5 that Staff proposes to disallow. In his testimony,
6 Mr. Majors just slaps the label of, quote,
7 "transaction costs" on these preliminary engineering
8 costs. By using that label, he suggests that the
9 Commission disallow it. He never delved into the
10 cost. He just slapped a label on it and disallowed
11 them himself.

12 Mr. Majors claims, quote, "Transaction
13 costs are costs incurred by the purchaser and seller
14 to effectuate the financial, legal and regulatory
15 requirements of the merger. These costs are incurred
16 prior to and immediately after the merger or
17 transaction. Transaction costs are costs incurred by
18 the purchaser and seller. These costs are incurred
19 prior to and immediately after the merger or
20 transaction."

21 To support its position, Staff relies
22 upon a Commission order back when KCP&L bought GMO.
23 That talked about the Commission's not going to allow
24 transaction costs. But what's noticeable there, that
25 wasn't KCP&L buying assets. That was KCP&L buying

1 equity. The transaction costs were simply KCP&L
2 hiring bankers, KCP&L contacting the New York Stock
3 Exchange, KCP&L delisting Aquila. Nothing there of
4 benefit to customers. I get excluding those there.

5 That's not what's happening here. Buying
6 assets. We're going out and making sure we have
7 access to these systems. We're going out and making
8 sure that the assets are there, whether they're
9 functional wh- -- to begin mapping them for Missouri
10 One Call purposes.

11 These costs here that Staff labels as
12 transaction costs are all necessary for Confluence
13 River to operate the system. Staff never inquired
14 into these costs. Instead, as I mentioned, Staff just
15 blindly slapped a label on these costs and disallowed
16 them.

17 The part that's most amazing, however, is
18 that Staff disallows these costs, quote, if they're
19 immediately -- if they're before or immediately after
20 the merger. If they're before or immediately after
21 the merger, Staff disallows them.

22 So Staff said immediately after is
23 50 days. If you incur these costs within 50 days of
24 the transaction, we're going to disallow them. What's
25 the perverse incentive created there? The perverse

1 incentive is while we can go in and make fixes and
2 turn things around, don't do it. Wait 51 days and
3 then Staff will allow them. Sit on your butts,
4 twiddle your thumbs, do nothing because you're going
5 to lose those costs. Wait 51 days and we'll allow
6 them.

7 Confluence Rivers thinks this is bad
8 policy and once upon a time Staff did too. As
9 Mr. Thies points out, Staff has previously allowed
10 such costs in Case Numbers WR-2020-0275, WR-2020-0053,
11 WR-2016-0064, SR-2016-0202 and WR-2017-0259. Staff
12 has allowed these costs. Regulatory uncertainty, do a
13 180, disallow them.

14 As I mentioned, Confluence Rivers thought
15 it had, based upon positions previously advanced by
16 Staff, a road model -- a road map for the acquisition
17 of systems and the recovery of costs. In this case,
18 the Staff has introduced a great deal of regulatory
19 uncertainty and changed that road map.

20 CSWR entities have pursued rate cases in
21 Kentucky, Louisiana, Mississippi and Texas. In fact,
22 two Kentucky rate cases. Never before this case has
23 someone tried to disallow these necessary costs for
24 the operation of a utility's assets. Sta- -- as I
25 said, Staff's position, if adopted by the Commission

1 here, place -- introduces a great deal of concern
2 regarding the viability of future ac- -- acquisitions
3 in Missouri by anybody.

4 Will anybody come into Missouri and buy
5 assets if they're not going to get the recovery of the
6 engineering costs?

7 When faced with 3,000 noncompliant
8 Missouri water and wastewater systems, Staff should be
9 looking at positions that advance the acquisition of
10 these systems. Instead, they change their mind and
11 hindered that goal. That's called not seeing the big
12 picture.

13 But what kind of improvements -- given
14 what Commissioner Holsman said, what kind of
15 improvements can be done in the short term? Here are
16 two pictures. I'm sorry it didn't blow up well.

17 Terre Du Lac system. In 50 days, these
18 are the type of improvements that can be done. In
19 50 days, however, these costs would be disallowed by
20 Staff. Before. Look at that sludge, look at that
21 water discharging. In 50 days, sludge is gone. It's
22 treated. Look how clean that is. There's no sludge
23 blanket down here.

24 Staff disallows all the preliminary
25 engineering costs to make that happen. We should have

1 waited 51 days. Let the customer suffer with that
2 because then we could have gotten these costs
3 recovered.

4 The costs go beyond simply preliminary
5 engineering costs. They go to preliminary legal
6 costs. Again, Staff slaps a label of transaction
7 costs on these costs and claims that the Commission
8 should disallow them.

9 Again, Staff fails to dig deeper. Staff
10 fails to see that these aren't transaction costs.
11 What are these? These are costs related to getting
12 clean title to the assets. To make sure that it
13 wasn't bought with a loan and that the liens have been
14 released on these assets. These are systems to
15 acquire an easement so we can get to the -- to the
16 assets.

17 Fox Run. When we bought it, there was no
18 way -- no legal way to even access that system. There
19 was no legal easement. It was out in the middle of
20 nowhere. The previous owner was just walking in, but
21 we couldn't get access to it. How are we going to get
22 in trucks and other equipment to replace those assets?

23 So we incur preliminary legal costs to
24 get an easement. We do preliminary eas- -- or
25 preliminary legal costs so we get clean title. We

1 incur preliminary legal costs so, whereas in
2 Margaritaville, we assume a wholesale water agreement
3 to make sure we can get water to these systems.

4 But if these preliminary legal costs are
5 incurred within 50 days, Staff disallows them. Again,
6 we should just wait 51 days so we can incur these
7 costs. These are necessary for the operation of the
8 system. These aren't incurred so you can delist a
9 seller stock on the New York Stock Exchange.

10 Again, this is bad policy and will
11 inevitably make the acquisition of future systems in
12 Missouri much less attractive than other states.

13 Let's talk about another issue, net
14 operating loss. Again, a complete 180 by Staff.
15 Tough issue to understand. You really have to dig in
16 on this. Every time I hear taxes, my eyes glaze over.

17 The Internal Revenue Code allows a
18 business to book a net operating loss and carry them
19 into the future to use as a deduction against taxes at
20 that time. Think about the Confluence River business
21 plan. We buy bad systems that have not had rate
22 increases for a long time. These systems are missing
23 blowers, and pumps. These systems are missing
24 disinfectant systems.

25 So what happens? We go in and we buy a

1 system. But in the case of Port Perry, those rates
2 have been in effect for 30 years. Those rates don't
3 reflect cost of service, let alone the cost of service
4 once we begin operating. Because we go in, first 50
5 days we're re- -- we're replacing that blower that's
6 missing or burned out. We're replacing the pumps in
7 that lift station. We're putting in the
8 dechlorination.

9 So what comes with that? You put in a
10 blower that wasn't there, electric costs go up. You
11 put in a dechlorinator that wasn't there, chemical
12 costs go up. Rates are way down here, not even
13 covering the costs at that time. We go and do other
14 stuff, operating cost goes up. What you have there, a
15 net operating loss.

16 Additionally, upon acquisition,
17 Confluence River will begin immediately inspecting
18 these sys- -- three -- these systems three times a
19 week. Another cost that goes up. So combining the
20 depressed date of the rates with the increased cost,
21 you have net operating losses.

22 Important to this distinction, however,
23 is the difference between regulatory books and tax
24 books. Under flow-through rate-making, the parties
25 include the level of taxes that result from the

1 earnings generated from current rates. You're not
2 looking at the amount of taxes that are paid at that
3 time. You're looking at what the rates would generate
4 and you include that level of taxes. Because the net
5 operating losses won't be realized, won't be put to
6 use till sometime in the future.

7 So after current customers have received
8 the benefit of deflated adopted rates, have received
9 the benefit of increased operating costs, Staff then
10 wants to say those current customers should also get
11 the net operating losses. We're not going to include
12 any taxes in this case. We're going to use those net
13 operating losses for the benefit of current customers.
14 But we haven't been able to use those yet.

15 So Staff -- the implications of this if
16 we use them in the future when -- at five years down
17 the road, we would then take those net operating
18 losses and reduce rates at that point in time. So
19 Staff is robbing future customers of the net operating
20 losses to benefit current customers that have already
21 seen the benefit of the adopted rates.

22 The other problem with it, Staff will
23 say -- they'll try -- attempt to frame this issue.
24 They will tell you, Company's not paying any taxes now
25 so they shouldn't get any taxes in rates. Staff will

1 tell you that this is, quote, a "phantom tax." As you
2 well know, however, there is nothing phantom about
3 taxes. As Benjamin Franklin understood about 30 --
4 250 years ago, there are two certainties in life;
5 death and taxes.

6 So the practical effect of Staff's
7 proposal is to rob future customers from the benefit
8 of this net operating loss when we use it to benefit
9 current customers so that they don't pay any -- any
10 income taxes in current rates.

11 The other problem is the other entity
12 that is upset by Staff's position is Confluence
13 Rivers. We're -- investors are investing in Missouri
14 with the understanding that they have to temporarily
15 cover net operating losses for the customers. These
16 were the rules of the road as set out by Staff in
17 every previous rate cases. Staff never attempted to
18 use these net operating losses to shield customers
19 from income taxes.

20 Investors thought that they would only
21 have to cover these net operating losses until the
22 first rate case. After that, rates for these
23 customers would be fully compensatory, including
24 income taxes. Investors would no longer have to cover
25 losses for these customers. We've covered the losses

1 all the way up till now. It's time to get them on a
2 cost-based rate, including income taxes.

3 Now Staff has changed the rules of the
4 road. Staff is saying we know we didn't use those net
5 operating losses in the past. We know we're going to
6 let you save those for the benefit of future
7 customers. We know you will know get those revenues
8 and stop having to cover their operating losses.

9 Staff now says whoa, pump the brakes.
10 We're going to use those net operating losses. We're
11 going to take those revenues out of your pocket, we're
12 going to take those benefits away from future
13 customers.

14 The other thing is, radical deviation
15 from Staff's position previously but it's also
16 directly contrary to the position of other states.
17 Again, two Kentucky rate cases, a Mississippi rate
18 case, a Louisiana rate case, and a Texas rate case.
19 No one else has proposed this.

20 Let's move onto another issue. This is
21 the system repair expense versus capitalized life
22 restoration cost issue. Staff took numerous issues
23 that the Company had capitalized as a life restoration
24 cost, and instead just called it a maintenance
25 expense. Capitalization versus maintenance. That's

1 what this issue is about.

2 The reclassification of this cost as an
3 expense was made worse then by the fact that Staff
4 then normalized it over three years. As such, the
5 practical effect was for costs that Confluence River
6 had capitalized, it would now lose recovery of
7 two-thirds of the cost.

8 Once again, Staff seeks to blindly place
9 labels on costs without ever digging into the
10 realities of the costs. Staff just looked at things
11 and said repair, but never went and looked at the
12 system to see was that just a repair?

13 For instance, Staff seeks to classify
14 such costs as a repair expense by analogizing to a
15 tank painting. Confluence River doesn't dispute if
16 these are fully functioning assets like a water tower,
17 then a tank -- tank painting would be a repair
18 expense.

19 But what if this thing hasn't been
20 painted in 20 years? What if this thing is rusted and
21 leaking? What if it's flaking rust into the drinking
22 water? What if this thing has effectively no service
23 life left because of the lack of previous maintenance?
24 Is that a repair?

25 Rather, the costs incurred are necessary

1 to restore the life of the asset. So, for example,
2 consider a wastewater tank that has been neglected and
3 is completely impacted by sludge. Wastewater comes
4 through and it runs through tanks at which aeration
5 and different things happen. But what if it's been
6 ignored and that thing is now completely full of
7 sludge? What's going to happen?

8 Wastewater is going to come in, it's
9 going to skim across that bank of sludge, go into the
10 next tank, out into the discharge. No treatment
11 happens there. Those tanks have no useful life. If
12 we go in and remove the sludge, is that maintaining
13 the asset? Is that a repair?

14 That's a life restoration. We have
15 restored the life of that tank. The useful life of
16 that tank with the impacted sludge is zero. We're
17 restoring, not maintaining the life of the asset.
18 This is not a repair expense. This is life
19 restoration that should be capitalized, not expensed.

20 So let's look at two systems where this
21 happened. Cedar Green at the Lake. Multiple tanks.
22 Wastewater comes across, supposed to get treated,
23 moves on, treated, moves on, treated. What do you see
24 there? Impacted by sludge. There's no treatment
25 going on there. That wastewater is immediately going

1 out.

2 Afterwards. Cleaned it out. Look at
3 that water. No sludge, the water's going into tanks
4 and it's being treated. It's not being discharged
5 without any treatment. Life restoration. That's not
6 a repair.

7 Let's look at another one. Chelsea Rose
8 at the Lake. Impacted with sludge. There's no
9 treatment going on there. Here, it's been cleaned
10 out. Treatment going on. Not maintenance expense,
11 not a repair. That's life restoration. Those assets
12 had zero useful life when we bought them.

13 But Staff wants to say we're maintaining
14 them. We're maintaining them at what? Zero useful
15 life. Life restoration.

16 As such, Confluence River's position is
17 that these costs should be capitalized. Also reflects
18 the dictates of the Internal Revenue Code. Now, I'll
19 tell you the Internal Revenue Code is not binding on
20 you. That's taxes. Not claiming it's binding on you.

21 What I'm claiming is the Internal Revenue
22 Code can provide you some guidance for determining
23 what is a maintenance expense, what is a repair
24 expense and what should be capitalized. The Internal
25 Revenue Code position -- iss- -- or provisions state

1 that if these costs are made, quote, "for a betterment
2 to a unit of property," end quote, and if these costs,
3 quote, "ameliorate a material condition or defect that
4 existed prior to acquisition," end quote, the Internal
5 Revenue Code demands that these codes be capitalized.

6 Confluence Rivers believes that that is
7 sound guidance if we are bettering it. If we're
8 returning the life because of bad -- previous neglect,
9 that should be capitalized. It's not a repair. The
10 Internal Revenue Code says so. We believe it's good
11 guidance for rate-making. As such, if adopted by the
12 Commission, Staff's position would significantly
13 reduce the viability of future acquisitions in
14 Missouri.

15 So let's get to the bottom line. This is
16 as of the reconciliation that was filed earlier this
17 week. Our rate case increase at this point in time is
18 roughly 2.5 million. Staff's recommended increase is
19 931,000. Despite all the improvements, all the
20 systems we bought, all the lives we turned around,
21 Public Counsel says we should get a rate decrease,
22 largely driven by the fact they want to disallow a
23 million of dollars of operations costs.

24 But again, reflecting their inability to
25 see the bigger picture, reflecting their inability to

1 see what is the impact of this, this won't allow us to
2 cover our debt cost. Last December, you'll recall, we
3 asked for permission to issue debt and the Commission
4 gave it to us. We issued seven million dollars of
5 debt.

6 But given the fact that we're operating
7 under current rates that didn't produce any income,
8 the lender said, I'll tell you what. You -- you have
9 a rate case going. We won't make you cover those
10 interest costs until December when your rate case is
11 done.

12 So what's going to happen? We need to
13 have the free cash flow to service that debt. We need
14 to be able to pay that interest come December. Staff
15 and Public Counsel's position won't allow that to
16 happen. We won't have enough cash to cover our debt
17 cost.

18 So then what happens? The lender's going
19 to come in and say, I want that money now. You're not
20 covering your debt cost, you defaulted on your debt
21 covenants, we want that money.

22 What's going to happen? We defaulted.
23 What's that mean? We'll never get another cre- --
24 we'll never get a credit rating. We'll never get debt
25 in Missouri again and we'll be stuck with 100 percent

1 equity capital structure because Staff and Public
2 Counsel don't want us to cover our debt cost.

3 Because Staff and Public Counsel said
4 yeah, go ahead, we recommend you get that debt, but
5 then we're not going to give you the rates to cover
6 those costs. That's the big picture. That's what
7 Staff and Public Counsel refuse to look at.

8 I',m finished talking about the financial
9 issues in this case, but I want to be cognizant of one
10 other thing. Throughout this case, I want you to be
11 aware of many of the other recommendations in this
12 case and how they will affect Missouri utility costs.

13 While it does not include the cost in
14 this case, Staff wants the Commission to order
15 Confluence River to hire a full-time employee simply
16 to coordinate with third-party operators and to assist
17 Staff when it conducts its inspections. This will be
18 a cost in future rate cases. Confluence River
19 currently does it with a shared employee with
20 Tennessee. Staff wants one all of their own.

21 Was Staff at these local public hearings
22 where people were griping about rate increases? What
23 do you think their recommendation does? It ups cost
24 and puts pressure on rates further.

25 Staff wants us to do a bunch of reports

1 solely for Missouri. Information that's otherwise
2 available to Staff. Staff comes in and does an audit.
3 Says give me the invoices for every electric bill. We
4 give it to them.

5 What's Staff do? Man, that's not easy
6 enough for us. They use the word "convenience." We
7 want these reports for our convenience. We want you
8 to keep a report -- we want you to hire somebody to
9 keep a report so that we can just go into a rate case
10 and say give us the report of your electric cost.
11 What's that do? We have to hire somebody to do that.
12 Rates going up.

13 But the other part of that is should they
14 take our word for it? If we give them a report, are
15 they just going to take our word for it? They're not.
16 We'll give them the report and then they'll say give
17 us the invoices to support it.

18 So why do the work to do the report in
19 the first place? All it does is create a need for
20 further work in Missouri. That 5.6 employees that I
21 told you are currently operating in Missouri? We add
22 another one for their state-alone inspector, we add
23 people to do these reports that will largely put -- be
24 worthless. You know, rates going up.

25 Public Counsel takes it one step further.

1 Public Counsel wants you to do customer surveys.
2 Public Counsel says, you know, we got Missouri
3 American to agree to spend \$100,000 for a customer
4 service third-party to come in and analyze things.
5 Missouri American agreed to \$100,000.

6 Don't you think you should put that in
7 perspective? If you scale that down for the size of
8 Confluence River, if you account for Missouri American
9 is so much larger, has so many more revenues, so many
10 more customers, you know what that 100,000 becomes?
11 \$1,200. But Public Counsel wants us to spend
12 \$100,000. There goes rates. Staff and Public Counsel
13 spend like sailors on leave. It's easy to spend other
14 people's money. We believe that we should be allowed
15 to continue to contain costs.

16 The last thing I want to talk about now
17 that I'm done with the financial issues and based upon
18 some comments in a recent agenda session, it is clear
19 that the Commission has some concerns about service
20 quality and customer service issues experienced in the
21 testimony at the local public hearings.

22 Let me be very clear. Been at this
23 company for 16 months. I've seen the battles, I -- I
24 see the -- I see the conversations, I see the
25 meetings. Confluence Rivers takes these concerns

1 very, very seriously. It didn't simply just go down
2 to these meetings to let people to have an opportunity
3 to air their concerns and then drive off and go back
4 home. We logged all these concerns.

5 Along with Staff, we provided an analysis
6 of what we learned from hearing those concerns. We
7 looked at our customer service database. We looked at
8 our operational database and see, well, this one guy
9 said we didn't mow around the berms. Did we mow
10 around the berms? Let's go back and check.

11 You know what happened? It had rained
12 for weeks before that. You couldn't mow. We told the
13 guy take a break. When it stops raining and it's dry,
14 then mow. Those are the things we learned. We took
15 those issues seriously. We didn't ignore them. I
16 promise you.

17 Every Monday morning we have a meeting.
18 All senior leadership is in this meeting. It lasts a
19 little over an hour and we talk about all the issues
20 that have come up in the past week. We talk about
21 operating things, we talk about getting permits, we
22 talk about our rate cases, we talk about everything.

23 You know what takes the longest amount of
24 time? The discussion about customer service. By far
25 the biggest issue. At that meeting we talk about

1 issues such as average hold time, length of calls,
2 percent of dropped calls, staffing levels at the
3 third-party call center, and other important metrics.
4 We look at this weekly. We look at trends. Are
5 dropped calls going up for some reason? Is average
6 hold time going up? What can we do to effectuate
7 improvement?

8 One of the things we did to effectuate
9 improvement is we hired a third-party,
10 well-established customer service expert called
11 McIntosh and Associates. The final report from
12 McIntosh was only completed in the last couple weeks.
13 That's why it didn't make it into testimony. While we
14 commissioned it way back at the beginning of the year,
15 we just got the final report.

16 McIntosh came in, they talked to numerous
17 employees. They worked over at our call center for
18 days and watched how they handled things. They
19 listened in on calls and they made suggestions. And
20 already CSWR is taking steps to implement those
21 recommendations. Mr. Cox and Mr. Thomas will be happy
22 to answer your questions reg- -- regarding the steps
23 that CSWR has made to make improvements.

24 For instance, it's my understanding that
25 today CSWR is now finishing every call to the call

1 center with a simple inquiry, three questions. Did
2 they answer the call on time? Did you have to wait?
3 Those type of things. Were you satisfied and did it
4 resolve your call? Every call to the call center now
5 gives the opportunity for that type of inquiry.

6 That's what we learned from this. We're
7 listening to the customers. We're trying to improve
8 customer service. We're not just ignoring it.

9 Another step Mr. Cox discusses is the
10 creation -- recent creation of a corporation
11 communications department. Among other things, that
12 department will be responsible for highlighting the
13 improvements made at individual systems. You'll
14 recall several individuals showing up at the local
15 public hearings and being asked, Have you seen any
16 improvements? Routinely they would say no, I haven't
17 seen anything.

18 But think about it. Think your own
19 service. If you got asked that, would you know what
20 kind of improvements are being made? Would you know
21 if a pump has been replaced? If suddenly we're now
22 meeting all limitations? That stuff happens behind
23 the curtain. I know I'm completely oblivious to it.

24 But it doesn't have to be that way. You
25 know, while they can't see it driving down the road,

1 we can do things to make that more apparent to people.
2 So we've created the corporate communications
3 department. This will allow, on a state and system
4 basis, to tell customers these are the improvements
5 we're making. Rest assured that we're just not
6 continuing to do what the previous owner did. We're
7 making these improvements. So we're trying to be more
8 transparent to the customers.

9 Another thing, CSWR has recently revamped
10 its web page to make the site more user friendly. Not
11 only to find necessary information like those
12 improvements, but also for ease in paying bills and
13 making inquiries. Here's a copy of our new web page.

14 Finally, consistent with Staff
15 recommendations, Confluence River has agreed to
16 continue to provide monthly customer service metrics.
17 I told you we meet -- meet weekly to discuss these
18 things. We are going to continue to provide them on a
19 quarterly basis to Staff. We want to be transparent.

20 Moreover, Confluence Rivers has agreed,
21 based upon a recommendation of Staff, to have
22 quarterly meetings with Staff. Willing to have those
23 meetings to discuss these metrics, changes being made
24 to customer service like McIntosh report or staffing
25 at the third-party customer service entity, and we'll

1 listen to Staff's suggestions and concerns. All of
2 this should demonstrate CSWR's commitment to customer
3 service.

4 While Confluence Rivers has taken
5 numerous steps towards improving customer service and
6 is willing to listen to the input of other parties,
7 what Confluence Rivers will continue to resist is
8 Public Counsel's continued efforts to worm itself into
9 the Company, to insert itself into the operations of
10 the Company, to feel that it is more capable of
11 capable of operating the Company because it can draw
12 boxes on a map.

13 Not only does Public Counsel not have the
14 practical experience to produce those benefits, its
15 constant efforts are, frankly, disruptive.

16 So we will talk with people, but we're
17 not going to let them have calls on what third-party
18 entity we hire for doing what. Those are operational
19 functions. And as the Chairman mentioned in agenda
20 session, we don't go there. We let them operate the
21 company and you can come in and criticize later.

22 But while we take customer service very
23 seriously, I believe that you also need to see the
24 bigger picture. Try to place these local public
25 hearing comments into some perspective. We're taking

1 them seriously, I assure you. But it -- they need to
2 be taken into perspective.

3 Such comments were made in the context of
4 a rate case where a lot of people are getting large
5 rate increases. You may recall, if you were at
6 Farmington, all the Port Perry people that were
7 dressed in red T-shirts. Do you remember them? Whole
8 slew of them.

9 Why were they there? Port Perry, a
10 regulated system, has not had a rate increase since
11 1993. I worked that case. My first case out of law
12 school. They haven't had a rate increase for
13 30 years. You think those people are upset when we
14 buy them and finally they need to see a rate increase?
15 Of course they're upset. You know?

16 And it's not surpris- -- we were -- we
17 knew that was going to happen. We knew they were
18 upset and we knew they needed the opportunity to tell
19 us they were upset. We took it serious, but you
20 should also know those concerns were raised in the
21 context of a large rate increase that they haven't
22 seen in 30 years.

23 To put this in perspective, Confluence
24 Rivers believes the context of these customer
25 service -- you need to realize the context in which

1 these were made. Mr. Cox went through and we did a
2 very thorough analysis. Confluence River has
3 9,600 -- 9,684 water and sewer connections. 9,684.
4 Of all those connections, 263 either submitted
5 comments or submitted testimony at a local public
6 hearing. 263 of 9,684.

7 We went back and looked at the name for
8 all 263. We wanted to see have they complained to us?
9 Have we dropped the ball somewhere along the way? Did
10 they tell us about a problem that we just missed? So
11 we went through all 263. Of those, 40 had only --
12 only 40 had ever contacted us.

13 Suddenly we do a big rate increase and
14 while those concerns may be legitimate, they never
15 called us before. But suddenly in the context of a
16 rate increase, yeah, those concerns become a little
17 more intensified. So that's the context. Forty of
18 the 263 had ever contacted us before.

19 Further demonstrating the relevance of
20 the rate case environment, of the 263 that had
21 submitted comments or testimony, 233 of those were
22 going through their first rate case. So people like
23 Hillsboro and Indian Hills that have already
24 experienced rate cases, they weren't complaining.
25 These were all people going through their first rate

1 case. These are all people like Port Perry that
2 hadn't seen a rate increase in 30 years. Those are
3 the people that were complaining.

4 If we had systemic operations or customer
5 service problems, if they were truly systemic, those
6 concerns would be reflected not only amongst people
7 getting their new, first rate increase, it would be
8 everybody. And we didn't see that.

9 The people that were concerned were the
10 people getting their first rate increase. And I don't
11 want to minimize their concerns. We took them
12 seriously. But we also need to put that in
13 perspective. The big rate increases in this case are
14 intensifying any concerns they may have had.

15 In the ultimate analysis, however, the
16 beauty of the water and wastewater industry is in the
17 fact that safe and adequate service can be measured by
18 purely objective metrics. As I mentioned, Confluence
19 Rivers now submits more water and wastewater samples
20 than any entity in Missouri. Moreover, as I told you,
21 we test the water when it comes out of the well all
22 the way until it's discharged into the stream.

23 So Confluence Rivers has now submitted
24 almost 35,000 samples. In all those samples,
25 Confluence Rivers just failed 30, 30 of 35,000.

1 Moreover, Confluence River has never
2 missed a milestone under one of its Agreements on
3 Consent with DNR. While that's not perfect, it's damn
4 close. Missouri is the Show-Me State and we've
5 intended to show you and we believe we have.

6 So bottom line, as I mentioned,
7 Confluence Rivers is always willing to make
8 improvements. Not only to operational matters -- you
9 saw the pictures -- but also to customer service.

10 I would encourage you to attempt to place
11 the comments, however, into perspective. These are
12 not systemic pervasive problems.

13 At the end of the day I ask you to take
14 away one thing again. Keep your eye on the bigger
15 picture. Don't decide these issues in a vacuum.
16 Decide them on, well, will this discourage anybody
17 else from acquiring systems in Missouri? Will this
18 discourage fixing up systems? Will this -- will this
19 just simply maintain the status quo? Will this cause
20 Confluence River to miss its debt covenants? Don't
21 take issues in a vacuum. Consider them in an overall
22 bigger picture.

23 I know it's been hard for you. Thank you
24 for your patience and attention. I'm available for
25 any of your questions.

1 JUDGE HATCHER: Thank you, Mr. Woodsmall,
2 for your statement. We do have a Commissioner
3 question. Go ahead, Commissioner Hahn.

4 COMMISSIONER HAHN: Thank you so much for
5 the presentation.

6 MR. WOODSMALL: Thank you.

7 COMMISSIONER HAHN: It was really
8 helpful. I do have a couple questions about the
9 customer service components you mentioned.

10 MR. WOODSMALL: Uh-huh.

11 COMMISSIONER HAHN: First, I want to
12 applaud you on taking this into consideration. About
13 some of the items that you'd mentioned implementing,
14 specifically the corporate communications department.
15 When did you implement that new department? How many
16 staff do you have roughly working there?

17 MR. WOODSMALL: What is it? March time
18 frame?

19 UNIDENTIFIED SPEAKER: No, it's over a
20 year.

21 MR. WOODSMALL: Okay. Over a year. We
22 have two employees completely dedicated to that and a
23 manager that handles that and some other duties. So
24 let's call it 2.5 employees.

25 COMMISSIONER HAHN: Great. Thank you.

1 MR. WOODSMALL: Uh-huh.

2 COMMISSIONER HAHN: Also, when did you
3 revamp the web page where people could actually
4 contact someone from CSWR?

5 MR. WOODSMALL: About the same length of
6 time. Beginning of this year?

7 UNIDENTIFIED SPEAKER: They could always
8 contact us. This made it easier.

9 MR. WOODSMALL: That's a good point.
10 There was always information on the web page. There
11 was always information to tell them how to contact us.
12 What we realized, though, was it wasn't user friendly.
13 Finding those places was not obvious. So while they
14 could contact us, obviously we made it difficult for
15 them.

16 So we looked at that, we had a company
17 called Ansera look at it and say: You can improve
18 this. So about a year ago was when we revamped the
19 web page.

20 COMMISSIONER HAHN: That's really
21 helpful. Thank you.

22 MR. WOODSMALL: Uh-huh.

23 COMMISSIONER HAHN: And then, when did
24 you institute the post -- the call center
25 post-question follow-up?

1 MR. WOODSMALL: That would have been the
2 beginning of this year as well. That's when we
3 commissioned it, when we got the scope of work. And
4 when they -- shortly after that, they began meetings
5 not only with internal people -- our internal customer
6 service people, but also listening in at the
7 third-party call center, monitoring those calls.

8 So yeah, while they started earlier this
9 year, the final report just came out the end of July.

10 COMMISSIONER HAHN: So perhaps some of
11 the public comments could have been people trying to
12 contact the Company prior to these reforms being made?

13 MR. WOODSMALL: Could have been. What we
14 see, though, and this is reflected in Mr. Cox's
15 surrebuttal testimony, we monitor the number of calls.
16 We monitor how long it takes to be answered and we
17 monitor the number of dropped calls.

18 So if people contacted us, we're able to
19 provide statistics on that. The industry average for
20 dropped calls is 7 percent. We're running under
21 1 percent. So I don't see the -- any dropped calls or
22 any customer service issues being the result of people
23 calling and getting lost in the system.

24 COMMISSIONER HAHN: Thank you.

25 MR. WOODSMALL: You're welcome.

1 JUDGE HATCHER: Thank you. We also have
2 a question from the Chairman. And I would like to
3 take a second. We've been having the first opening
4 statement go on. For the record, we do have the
5 attendance of Commissioner Maida Coleman, as
6 previously announced, and Chairman Rupp.

7 Go ahead, Chairman.

8 CHAIRMAN RUPP: Great. Thank you. Just
9 to follow-up on Commissioner Hahn's question -- or
10 line of questions about the customer service.
11 Actually it's not a question. It's a statement.

12 I have experienced local public hearings
13 for large utility companies that have had people come
14 forth and have complaints about customer service
15 because they had complained at other public hearings
16 and nobody listened. The company, like you said, went
17 back and did all this due diligence like what
18 happened, what happened?

19 And what they found out was that the
20 electric utility had actually fixed all the problems
21 two years prior. But the mind-set of the company was
22 an engineering company. And they're like hey, cool,
23 we fixed it. Whoo-hoo. Nobody told the customer.

24 So the transition of utilities over the
25 last decades is you're not a utility company anymore.

1 You are a customer service company. And if you're not
2 communicating that to -- to the customer, they will
3 never know. I mean, how would they know that they
4 were -- what you've done behind it?

5 So it is in your best interest to
6 communicate, you know, with that -- those -- those
7 customers, Hey, this is what we did. No one else is
8 going to toot your horn for you. And if you don't let
9 them know the investment you're making and that you
10 fixed these things -- because you're not competing on
11 a customer service stance against other utilities.

12 Your competition is the restaurant that
13 that customer ate at the night before and the great
14 customer service they got, or the whatever company
15 they just interacted with. It has nothing to do with
16 it. Cust- -- your competition for customer service is
17 the restaurant, it's the online ordering, it's the
18 retail store that they just experienced. They expect
19 you to have that same level. That is your competition
20 on customer service.

21 MR. WOODSMALL: I appreciate your
22 comments. One of the things I -- just popped into my
23 head. You're talking about closing the loop with the
24 customer. Not fixing it and just, you know, leaving
25 it hanging.

1 One of my pet peeves -- I just
2 experienced this, this week. I had to call in to get
3 a refill for a prescription. Called the doctor. I go
4 to the pharmacy, it hadn't come in yet. I went to the
5 pharmacy the next day, it hadn't come in. I changed
6 doctors and they told me when it was at the pharmacy.
7 They closed the loop. I was a happy camper. So
8 closing the loop is critical. I agree with you.

9 Hopefully, with our corporation
10 communications department, we will do better about
11 that. But your comments have been heard.

12 JUDGE HATCHER: We have two more
13 questions. First, Commissioner Holsman and then
14 Commissioner Coleman. Go ahead.

15 COMMISSIONER HOLSMAN: Thank you. My
16 question is going to be from that big picture macro
17 perspective. And I don't necessarily anticipate
18 you'll have an answer right now, but I think as -- as
19 this hearing unfolds, maybe we can get to it.

20 One of the things that we consistently
21 heard during the public hearings was from individuals
22 who said, "My system has not been improved, but I'm
23 going to receive this percentage of an increase."
24 And -- and we know that there's going to be some
25 socialization that goes on when a company who operates

1 68 systems is going to spread that cost out.

2 If you take Terre Du Lac, the amount of
3 improvements that it looks like you've done on that
4 one system -- you know, you gave four pages of before
5 and after photos -- is probably going to exceed, you
6 know, the amount that the customers in that particular
7 system is going to be able to afford a direct
8 one-to-one investment increase to pay that back. So
9 that is going to have to be spread out amongst the
10 rate base.

11 But what is your company's response to
12 that individual at that public hearing who says,
13 That's great that you fixed Terre Du Lac, but how are
14 you taking the 2.4 million that you're asking for and
15 determining -- is it just a blanket all 68 systems?
16 Or can you micro-produce the investment that you're
17 making and -- and share the expense when a system is
18 improved that those rate customers are going to have a
19 more lion's share of that increase as opposed to a
20 complete 100 percent socialization across all of your
21 rate base?

22 MR. WOODSMALL: Okay. So several factors
23 in play here. The improvements at Terre Du Lac,
24 certainly apparent to you because you've seen the --
25 the pictures. Those are replicated at numerous

1 services. Port Perry, you'll see in Josiah Cox's
2 testimony, pictures of where we hauled huge trees out
3 of the lagoon. So customers are oblivious to that.
4 They don't need to be. We need to do better there.

5 But what I'm saying is, while they don't
6 know it, improvements are being made everywhere beyond
7 that.

8 COMMISSIONER HOLSMAN: Will you have any
9 customers who have a rate increase that did not
10 receive any investment?

11 MR. WOODSMALL: No. No. They -- they
12 will receive initial investment at a minimum. At a
13 minimum, when we go in there based upon our
14 preliminary engi- -- preliminary ener- -- engineering
15 costs, we will replace gone or blown out pumps and
16 aerators and blowers. So there will be investment
17 like that.

18 In addition to that, there will be
19 long-term investment. So while some of the
20 improvements you saw at Terre Du Lac were both in the
21 short term -- you saw what we did in 50 days -- there
22 are also long-term investments.

23 So there will be -- I won't deny it.
24 There will be systems like Glenn Meadows. Glenn
25 Meadows was just bought in December. Will they see

1 all the investment as Terre Du Lac? Of course not.

2 But they will see that initial improvement from what
3 we call triage work.

4 The long term, however, we can't take
5 care of that right away. We have to submit for
6 permits from DNR. If we make changes to the
7 operational process there, if we change a
8 hydropneumatic tank -- storage tank to a full ground
9 storage tank, we have to get permitted by DNR. Then
10 we have to get the equipment.

11 So long term is not something that we
12 want. It's something imposed on us by permitting,
13 construction requirements, availability of engineers.

14 So to get to your question, everybody in
15 this case, I would venture without fail, has received
16 at least that preliminary investment, the replacement
17 of blowers and that type of thing. They will receive
18 the immediate operational from professional operators.

19 The long-term investment, some haven't
20 seen those.

21 Getting to your socialization, while some
22 haven't seen them, everybody will see them. Over the
23 course of a decade, everybody's going to see this.
24 It's a constant rolling ball. While you haven't seen
25 it on your system, you'll see it next year, and then

1 someone else is going to see it three years, and then
2 ten years after that, the system back here is going to
3 need something. That's the point of consolidation.
4 It's fair. At some point, everybody is going to need
5 this.

6 And the Commission has recognized that in
7 repeated Missouri American cases. Initially Staff
8 wanted eight separate districts and the Commission is
9 now down to two. The Commission has said this is
10 fair. Everybody's going to need this investment. Why
11 wait until someone has it -- and if you don't
12 consolidate, when that ABC system finally needs it and
13 they have 12 customers, their rate's going to go
14 through the roof. It's going to be like this and then
15 it's going to be the spike.

16 So being able to socialize, being able to
17 spread those costs over a larger number of customers
18 like Missouri American, that's what helps mitigate the
19 rate increases in this case. Do we know what systems
20 will get as a result of this case if you don't
21 consolidate? Heck, yes. Some of these systems are
22 going to see 300 and 400 percent increases; thus, the
23 need for consolidation.

24 So everybody has seen investment.
25 Everybody eventually will see the long-term

1 investment. It will replicate itself and
2 consolidation is necessary to mitigate the rate shock
3 that comes from those long-term investments when they
4 happen.

5 COMMISSIONER HOLSMAN: So what kind of
6 efforts is the new corporate media team doing to
7 address that part? Because we heard it at almost
8 every public hearing: I don't want to pay for someone
9 who's, you know, miles away from me that we didn't
10 get -- is that message being delivered to the customer
11 today?

12 MR. WOODSMALL: So at the beginning of
13 this case, we have to, consistent with Commission
14 rules, send notices to all the customers. We tell
15 them our position on consolidation and what their
16 individual rate increases will be. And we tell them
17 in that that we are proposing consolidation.

18 I don't have the notice in front of me so
19 I can't give it to you word for word, but there is
20 talk in that customer notice at the beginning of the
21 case of what we are proposing.

22 In addition, in advance of the local
23 public hearings we send another customer notice. And
24 at that, there was further information given.

25 What is planned for corporate

1 communications at the end of this case, I don't know.
2 But I certainly believe -- I have heard your concern,
3 will take about it -- we'll take it back and we will
4 meet on it on Monday and we will discuss this. And
5 I -- I see the value in that and I see the value of
6 closing the loop and telling these customers. So
7 yeah, message taken.

8 COMMISSIONER HOLSMAN: So this
9 2.4 million dollars that you're requesting, does that
10 get you caught up for all of the systems that you've
11 repaired to date?

12 MR. WOODSMALL: No.

13 COMMISSIONER HOLSMAN: No.

14 MR. WOODSMALL: It gets us caught up --
15 in every Commission rate case, the Commission uses
16 historical test years. Okay? So in this case, the
17 test year has gone through January 31 of 2023. So all
18 the systems that were in existence as of that date are
19 in this rate case.

20 We've acquired, I don't know, a half a
21 dozen since then. They will not be subject to this
22 rate case. They will continue to be charged under
23 their adopted rates.

24 When we get to -- and this is what I was
25 telling you about. When we get to the next rate

1 increase -- I hate to say it -- those customers that
2 have been acquired, that are under adopted rates,
3 those are going to be the ones that we hear loudest
4 from in the next rate increase. Those are going to be
5 the ones that now see their rate go up.

6 What you're going to see, though, for the
7 ones in this rate case is hopefully because of
8 economies of scale, some of their rates will go down.
9 And we're seeing it in this case. Hillsboro, Indian
10 Hills, Elm Hills, those systems have gone through a
11 rate increase. Because of consolidation and the
12 economies of scale, they're actually seeing rate
13 reductions.

14 Hopefully, when we get to the next rate
15 increase, those that scream loudest here, Terre Du Lac
16 and Port Perry, will see the rate reductions. It's
17 always a cycle; go up, taper off. Now this group; go
18 up, taper off. So the systems we've bought since
19 January 31st will continue under adopted rates until
20 the next rate increase.

21 COMMISSIONER HOLSMAN: You mentioned that
22 you had seven million dollars in debt that -- that we
23 granted and if you don't receive this increase, that
24 you will be potentially defaulting on that debt. If
25 you do have the rate increase adopted, how long is

1 that seven million going to be -- how long will it
2 take to pay that off?

3 MR. WOODSMALL: Mr. Thies -- seven years.
4 Thank you.

5 UNIDENTIFIED SPEAKER: Twenty years.

6 MR. WOODSMALL: Twenty years. I'm sorry.

7 COMMISSIONER HOLSMAN: Twenty years.

8 MR. WOODSMALL: Okay. It will be paid
9 off in 20 years.

10 Let me tell you what's magical about
11 that. That level of debt does not only reflect
12 current operations. As I've told you, we continue to
13 buy systems. We continue to -- once we buy that
14 system that aren't in this rate case -- once we buy
15 that system, we put them under adopted rates. So
16 there's, for those new systems, net operating losses.
17 We have net operating losses.

18 Those net operating losses from new
19 systems put pressure on that debt -- the ability to
20 service debt. If we're losing money here, we don't
21 have that money to service debt.

22 So if you try to cut it too close -- I
23 don't know what the magic number is. Let's say it's a
24 half million dollars of free cash flow to service
25 current debt. If you try and park it right on that

1 number, we can't acquire anything else because those
2 net operating losses eat into that. We need some
3 level of buffer to account for the fact that we have
4 losses from X system, Y system, Z system.

5 So don't park it too close to what we're
6 going to have to pay for debt costs in December.

7 COMMISSIONER HOLSMAN: All right. This
8 is my last question. You mentioned that you have
9 9,900-and-some customers, just -- just under 10,000
10 and you're continuing to acquire systems as we go.
11 What is the company's five-year plan for how many
12 customers it is envisioning acquiring over -- over
13 that period of time?

14 MR. WOODSMALL: I will tell you, please
15 talk to Mr. Cox about that. He's up first thing
16 tomorrow. He has ideas.

17 Everything is subject to a great deal of
18 change. I don't want to make threats, but what comes
19 out of this rate case, the policy positions here, will
20 affect whether capital comes here or goes elsewhere.

21 The systems that become available. Does
22 a homeowners association start getting DNR letters and
23 they now want to sell? So it is impossible to say
24 with any type of certainty these are the systems that
25 we will acquire over the next five years.

1 I believe Mr. Cox probably has some
2 projections that if things go well on the decisions in
3 this case, if things come out of this case that allow
4 us to invest, he, I'm sure, has projections that here
5 we're at 9,600; this is where we want to be in two
6 years and in five years. I think he can probably give
7 you those. But as I'm saying, not subject to a great
8 deal of assurance.

9 COMMISSIONER HOLSMAN: Thank you. Thank
10 you, Judge.

11 JUDGE HATCHER: Thank you. And
12 Commissioner Coleman.

13 COMMISSIONER COLEMAN: Thank you, Judge.

14 Mr. Woodsmall, during your opening
15 statements, you talked about the red shirts that was
16 there in the audience during the local public hearing.
17 And I remember those people and there was a great
18 turnout and it was a very, very, very long hearing
19 that day.

20 MR. WOODSMALL: And we intentionally
21 proposed a local public hearing in that area. We knew
22 what we were running into. We knew these people
23 hadn't had rate increases and they would show up, but
24 there needed to be a local public hearing.

25 COMMISSIONER COLEMAN: Sure. And that's

1 leading toward actually my comment. That as a
2 Commissioner, we Commissioners like to see what the
3 community that's being served thinks and feels.

4 You talked about the 200-plus comments
5 that has come in regarding this case, and of those
6 200-plus, there's only been 40 that you've traced to
7 having reached out to your company before regarding
8 issues.

9 My question regarding that is, would you
10 tell me just a little bit more about your call center?
11 Does the calls that come in, are they going to a call
12 center that specifically deals with Missouri-based
13 customers? Or the whole portfolio of Confluence?

14 MR. WOODSMALL: It is a third-party call
15 center that, my understanding, is completely dedicated
16 to CSWR. So they're not dealing with a Target store.
17 It is a third party devoted solely to CSWR, but they
18 do handle calls for all 12 states in which we
19 currently operate.

20 Beyond that, I will tell you the customer
21 has, early on, the ability to request a live agent or
22 to proceed through an IVR, interactive voice protocol,
23 the thing where "please press one." So it is for all
24 systems and they can proceed in innumerable -- a number
25 of different manners.

1 COMMISSIONER COLEMAN: And do you have
2 the information or will someone else have it regarding
3 how many calls in general from all of your customer
4 base you get? How do you get the information
5 regarding where these calls are coming from?

6 MR. WOODSMALL: The third-party entity,
7 Nitor, gives us every week, for the previous week, a
8 number of metrics. They will tell us you had a
9 thousand calls -- I don't know. First off, let me
10 tell you Mr. Thomas oversees customer service and he
11 can answer this with more specificity.

12 That said, to get to your question, they
13 will give us metrics that say of the calls, X percent
14 are related to Confluence, X percent are Mississippi,
15 and they will give us hard numbers. And we will see
16 that vary on things. If the tornado hits Kentucky, as
17 happened in Mayfield, yeah, calls are going to go up
18 there.

19 So we're able to watch that on a weekly
20 basis, look at trends, try to look at, well, what
21 caused this spike? Was it Winter Storm Uri down in
22 Texas when everything was freezing up? Is it the fact
23 that, wow, it's been two weeks since we gave a notice
24 of a rate increase. Maybe that's driving it.

25 So we get those metrics from the

1 third-party center. We analyze them and try to
2 determine reasons. We further analyze, based upon
3 what they tell us, is it operational in nature? Are
4 they having problems understanding their bill? What
5 the various -- we try to analyze why they're calling.

6 So we break things down into a number of
7 metrics. The -- some of the metrics, as I said, that
8 are most key, average call time, percent dropped
9 calls, those are shared on a quarterly basis with
10 Staff. And I believe Mr. Thomas's testimony -- might
11 be Mr. Cox's testimony -- has a page from one of those
12 reports that we submit to Staff. So the generic, if I
13 will, the overarching-type metrics, we share those.

14 COMMISSIONER COLEMAN: Thank you. Thank
15 you, Judge.

16 JUDGE HATCHER: Thank you. We have
17 questions from Commissioner Kolkmeyer.

18 COMMISSIONER KOLKMEYER: Thank you,
19 Judge.

20 I'm going to switch gears off of --

21 MR. WOODSMALL: That's okay.

22 COMMISSIONER KOLKMEYER: -- customer
23 service and -- and talk about fire protection just a
24 little bit.

25 MR. WOODSMALL: Perfect.

1 COMMISSIONER KOLKMEYER: How many of your
2 systems have fire hydrants on them, your water
3 systems?

4 MR. WOODSMALL: I would venture to say --
5 and Mr. Cox can talk about this. I would venture to
6 say that it's zero.

7 COMMISSIONER KOLKMEYER: Okay.

8 MR. WOODSMALL: And let me explain why.
9 If you read Mr. Cox's testimony, Missouri Department
10 of Natural Resources states that drinking water
11 systems are for that purpose. Primary consideration
12 is drinking water. Secondary is providing any type of
13 fire protection.

14 So when a developer goes in, he knows the
15 purpose of this is drinking water. You know what
16 happens when you try and add fire protection to the
17 cost? Mr. Cox has this analysis.

18 At Terre Du Lac, the people that were
19 screaming the loudest about fire protection, we went
20 through -- based upon the Terre Du Lac annual report,
21 the number of feet of main there, at a conservative
22 value of \$50 per linear foot, putting in that fire
23 protection, including changing hydrants, flushing
24 hydrants to fire hydrants would cost 12 million
25 dollars.

1 Let's put that in perspective. I think
2 the current rate base for Terre Du Lac is a million
3 dollars. Current rate base to provide the primary
4 consideration of drinking water is a million dollars.
5 To upgrade that to provide fire suppression, an
6 additional 12 million dollars.

7 So given these small systems, it doesn't
8 make sense for the initial developer or any acquirer
9 to upgrade those to provide fire protection. It's
10 just too costly.

11 Where you see fire protection is where
12 you see a more dense population. Certainly in Jeff
13 City, you know, it's easier. The number of customers
14 per foot of main is much less. So -- and -- and it
15 may be when those were initially installed at a place
16 like Jeff City, the -- there was discussions with the
17 fire department and it was built in that fashion
18 initially.

19 But given the rural nature of our
20 systems, given how few customers are there, given the
21 fact that it would require upgrades of wells and
22 storage tanks and mains and booster pumps and fire
23 hydrants, 12 million dollars at Terre Du Lac.

24 COMMISSIONER KOLKMEYER: Okay. Thank
25 you.

1 MR. WOODSMALL: You're welcome.

2 JUDGE HATCHER: And Commissioner Hahn?

3 COMMISSIONER HAHN: Sorry, one more.

4 MR. WOODSMALL: Sure.

5 COMMISSIONER HAHN: Following up from
6 Commissioner Holsman's line of inquiry about cost
7 socialization, your request was for single-tariff
8 pricing. Staff had a different request based on a
9 regional model.

10 I'm curious if the Company has any kind
11 of position -- as you mentioned, Missouri American,
12 much larger company, but worked towards single-tariff
13 pricing over a series of cases -- you know, as you
14 mentioned, starting at eight or even more, now down to
15 two -- if the company has any other positions that
16 they would bring forward as -- as options the
17 Commission could consider.

18 MR. WOODSMALL: Let me tackle that in
19 multiple parts. First off, we did propose
20 single-tariff pricing. Single-tariff pricing,
21 especially for a company our size more than Missouri
22 American -- Missouri American has 500,000 customers.
23 You break them up into five districts, they still have
24 100,000 to socialize costs over.

25 We have 9,000. You start breaking us up,

1 you're losing all the economies of scale. So that's
2 my first concern.

3 Secondly, Staff did not propose regional
4 consolidation. In fact, if you look at Mr. Cox's
5 rebuttal testimony, he shows a map of all of our
6 systems and you can see the way Staff grouped them.
7 It's all over the place. There is nothing
8 regionalization about that.

9 Instead, Staff attempted to consolidate
10 systems based, quote, on cost of service. Not cost of
11 service on a per customer basis, but cost of service
12 overall. So what that means, first off, is that all
13 your larger systems -- Terre Du Lac is our largest --
14 will always be a large customer service
15 cost-of-service system.

16 Just -- cost of service is just going to
17 follow the amount of assets given the number of
18 customers. So it's not regionalization on Staff's
19 part, it is a cost-of-service-based model.

20 The big problem with Staff's mechan- --
21 recommendation, cost of service changes constantly.
22 What they group together now based on cost of service
23 in this case will change in the next case. When we
24 make all those improvements at Terre Du Lac that we
25 still have to make, all of a sudden, Terre Du Lac's

1 cost of service is going up. When we make all the
2 improvements at Glenn Meadows that we hire -- or that
3 we bought in December, now their cost of service is
4 going up.

5 So we get to the next case, we
6 re-shuffle -- we re-shuffle everything. Cost of
7 service is not a static number. So consolidating in
8 their manner along those basis will constantly change.

9 Heck, what they said was cost of service
10 in their direct testimony has already changed.

11 They've made a number of concessions and admitted
12 errors on rate base for a lot of different systems.

13 They didn't change it, but if they wanted
14 to be true to their approach, they should have gone
15 back, based upon all their errors, recalculated
16 customer service and re-shuffled them to do it
17 properly. Other problem is if you look at it,
18 mechanically they had errors. So even what they have
19 grouped together doesn't make sense.

20 Are we coming forward with an
21 alternative? We hadn't planned to. Because as I
22 said, we have 9,000 customers. Let's call it 4,500
23 water, 4,500 sewer. If you try to break those up,
24 you're losing all of your economies of scale. So more
25 than -- like I said, more than Missouri American, we

1 need the economies of scale. Not we. We're going to
2 get our money anyway. Our customers need those
3 economies of scale.

4 As I said, coming out of the last rate
5 case to this one, Hillcrest has seen rate reductions.
6 What's driving those rate reductions? The
7 consolidation that we -- that we proposed.

8 What will drive -- for Port Perry, those
9 customers that are mad here, what will drive their
10 rate reductions in the next case? Those
11 consolidations. If you split it up, that mitigation
12 impact of consolidation is lost.

13 There's a group, part of NARUC, called
14 the National Regulatory Research Institute, NRRI.
15 They put out lots of papers about this going back
16 20 years. Like I say, this big picture problem has
17 been in existence for a long time.

18 NRRI put out reports on this 20 years
19 ago. They're quoted in Mr. Cox's testimony. But they
20 talk about, 20 years ago, the biggest thing about
21 consolidation, rate mitigation and it allows for the
22 acquisition of small systems. So consolidation is
23 huge here. And you will lose lots of benefits if you
24 don't do it.

25 Getting back to Missouri American, as I

1 said, Missouri American is now two systems. The
2 Commission has said over and over and over again, we
3 appreciate the benefits of consolidation. So if they
4 appreciate those benefits, why is Missouri American in
5 two? Wasn't something the Commission decided.

6 General Assembly -- you guys may remember
7 this -- instituted a mechanism for St. Louis County
8 called an ISRS. And so -- it's changed since, but
9 given that ISRS component that was just applicable to
10 St. Louis County, the Commission said it makes no
11 sense to try to consolidate St. Louis County who uses
12 the ISRS, with non-St. Louis County.

13 So it wasn't the Commission saying we
14 think two is good for consolidation. It was the
15 Commission saying while we lack -- while we like
16 consolidation, we recognize the statutory impediment.
17 That's the only reason St. Louis County is where it
18 is.

19 And so the Commission, in fact, has said
20 that's applicable to water. The Commission has made
21 statements -- and I don't know where it stands
22 currently, but the Commission has said in previous
23 cases we want all the Missouri American sewer systems
24 consolidated into one.

25 The Commission's policy in a decade worth

1 of orders is we want consolidation. We're trying to
2 give it to them. First issue tomorrow Mr. Cox will be
3 testifying on that.

4 JUDGE HATCHER: Okay. Any further
5 Commissioner questions? Thank you.

6 MR. WOODSMALL: Thank you.

7 JUDGE HATCHER: Thank you, Mr. Woodsmall.

8 Quick announcement. I'm going to let
9 Staff off the hook. We're going to adjourn before
10 opening statements for Staff and OPC.

11 My thinking here is we were going to
12 adjourn in ten minutes anyway to start discussing what
13 our plans are this afternoon and tomorrow and we need
14 to allow the Commissioners and our technical Staff to
15 move upstairs for the agenda session. So we're ten
16 minutes early.

17 Let's quickly determine when we are
18 coming back so that the Commissioners can start making
19 their way upstairs. I was thinking two o'clock, but I
20 want to make sure that we have enough time for Staff
21 to give their opening, for the Office of Public
22 Counsel give their opening, Commissioner questions for
23 those and then hopefully our two issues. Would
24 two o'clock work for everyone?

25 MR. CLIZER: OPC does not oppose

1 two o'clock.

2 MR. THOMPSON: No opposition from Staff,
3 Your Honor.

4 MR. WOODSMALL: No problem, sir.

5 MR. CLIZER: Look forward to being able
6 to speak with all of you.

7 JUDGE HATCHER: Again, the reason we're
8 considering this is because Everyg has a presentation
9 and also we have the agenda session. I have heard
10 1:30. Maybe we'll split the difference at 1:45?

11 CHAIRMAN RUPP: I say yes, 1:45.

12 JUDGE HATCHER: 1:45. I apologize that
13 it's not a round number. Excellent. 1:45. We are
14 adjourned and in recess. Off the record.

15 (A recess was taken.)

16 JUDGE HATCHER: Let's go back on the
17 record. The time is just after two o'clock. The time
18 of recess for lunch and the Commission agenda meeting
19 and presentation have ended. We will return to our
20 evidentiary hearing schedule for the Confluence Rivers
21 general rate case increase request. This is Case
22 Number WR-2023-0006. That's three zeroes and a six,
23 to clarify.

24 And we are at Staff's opening statement.
25 If Staff would like to come up to the podium, please.

1 MR. THOMPSON: Thank you, Judge. Good
2 afternoon. May it please the Commission.

3 Mr. Woodsmall's always been a hard act to
4 follow, so I'm not even going to try. A lot of the
5 stuff that he said about the big picture was
6 absolutely true. There are a lot of decrepit and
7 distressed water and sewer systems in the state of
8 Missouri. And there's no question that perhaps the
9 best and most effective way to rehabilitate them is to
10 have them be acquired by a company that has the
11 resources to fix them.

12 But if Confluence was as angelic as
13 Mr. Woodsmall's opening made it seem, we wouldn't be
14 here today, because nobody would be quarrelling with
15 their rate request.

16 So Mr. Woodsmall's opening was compelling
17 and passionate, but you see compelling and you see
18 passionate on TV every night. But you don't
19 necessarily believe that what those actors are saying
20 is the truth. And I'm sure I don't have to warn you
21 that you shouldn't believe everything a lawyer tells
22 you.

23 So turning now to Staff's position in
24 this case, the reconciliation filed on Tuesday showed
25 that the company, who filed their case December 21,

1 2022, was seeking \$2,438,975 in additional rate
2 revenue. Staff, prior to today, was willing to give
3 them \$931,000. That figure now has changed to
4 1.2 million as part of the settlement of the 11 issues
5 we've settled. That's 49 percent of their request.

6 That difference of 1.2 million is the
7 reason we're here. That's what we're fighting about.
8 That figure represents the cumulative total of Staff's
9 adjustments.

10 The way one of these cases works is the
11 Company files tariffs describing a general rate
12 increase. That triggers an audit by the Staff,
13 similar to an audit by the IRS. They want to go in
14 and they want to look at everything. They want to
15 look at the general ledger and see what the entries
16 are under each category.

17 And then they want to see the documents
18 that evidence those transactions, right? Because it's
19 easy to write a number in a ledger. But Staff wants
20 to trace them to the transactional documents to see if
21 those transactions actually occurred, to see if those
22 transactions were actually Missouri transactions.

23 You know, when you have a utility that
24 operates in a number of different jurisdictions, you
25 have to know where the transactions live, what --

1 what's their home? What ratepayers are -- should be
2 paying for them? Certainly Missouri ratepayers should
3 not be paying for transactions that pertain to Kansas
4 or pertain to Kentucky. So there's another issue in
5 the audit.

6 Additionally, Staff looks to see if each
7 transaction was reasonable, was necessary, was
8 prudent, was beneficial to the ratepayers. Those are
9 the tests that are applied in determining what figures
10 should be put into rates and what figures should be
11 disallowed.

12 Reasonable means that the amount paid was
13 rational under all the circumstances for what was
14 obtained with the payment; in other words, did they
15 overpay? Necessary means without it, utility service
16 could not be provided. Prudent. Was it an
17 expenditure that a reasonable person, knowing what
18 they knew or should have known, would have made? Or
19 was it a risky or reckless expenditure?

20 Finally, beneficial to the ratepayers.
21 Who gets the benefit of that expenditure? A classic
22 example of that is the kind of advertising you see
23 from a lot of utilities that are intended to show you
24 what a wonderful citizen they are, what a great
25 neighbor they are in your community, all the good they

1 do. Well, that's not necessary to the delivery of
2 utility services. Why should the ratepayers pay for
3 that?

4 Sometimes an audit takes about four
5 months. That's the standard. And sometimes it takes
6 longer. It takes longer when a Company's accounts are
7 in disarray, when explanations and corrections are not
8 forthcoming, when responses to data requests are
9 incomplete and when the Company has not complied with
10 the Uniform System of Accounts.

11 That was the case here. We found their
12 financial records to be, frankly, a mess. And that
13 delayed the audit and caused unending frustration
14 among the auditors. And there were quite a few
15 discovery conferences and requests for discovery
16 orders. Quite a few more than you see in a typical
17 rate case.

18 The very first issue you will hear today,
19 Recommended Reports, is directed toward that problem.
20 This isn't a question of money. This is a question of
21 information. Remember that in a rate case, the
22 Company has all the data. Without the data, Staff
23 can't do an audit. Without the data, we can't
24 calculate how much the Missouri ratepayers should be
25 paying.

1 Okay. So your duty in a general rate
2 case is to set just and reasonable prospective rates
3 after consideration of all relevant factors. Just and
4 reasonable rates means rates that are fair. Rates
5 that are fair to the ratepayers and fair to the
6 shareholders.

7 Just and reasonable rates have been
8 characterized as not a single penny more than is
9 required to cover the cost of service and to offer a
10 reasonable opportunity to realize a fair return on the
11 shareholder's investment.

12 There are two halves to a typical rate
13 case. The first half is the revenue requirement. How
14 much extra money do they really need? That's what
15 most of the issues you're going to hear in this case
16 are about, how much money do they get.

17 As I mentioned, for Staff, that figure is
18 now about 1.2 million. That's how much we believe
19 they need in terms of additional rate revenue. The
20 major areas considered in determining the revenue
21 requirement are the net rate base, which is the
22 original book value of the assets that are turned to
23 the public service, less accumulated depreciation.

24 Under the Constitution, the shareholders
25 are entitled to a return, as we say, of and on that

1 investment. They get the investment back and they get
2 interest on the value of the investment. Also
3 considered are revenues, expenses, and the cost of
4 capital.

5 Now, you heard an interesting assertion
6 by Mr. Woodsmall having to do with a seven million
7 dollar debt and how they wouldn't be able to service
8 that debt if they don't get enough money out of this
9 case. There is an entire issue dedicated to that.
10 It's called cost of capital.

11 All of their debt service will be
12 considered in the cost of capital issue. And you will
13 have an opportunity to set a return that will service
14 all of that debt. So that particular issue is one
15 that should never have been raised. Cost of capital
16 is part of this case.

17 It's -- it's usually, although not here,
18 the biggest single part of a rate case. And you will
19 have oppor- -- ample opportunity to consider how much
20 money they need to service their capital, which is
21 dividends on the shares and interest on the debt.

22 Those three issues are worth \$376,000
23 according to the reconciliation. The rate base issues
24 are worth \$236,000. Staff has no revenue issues. And
25 the expense issues are worth nearly half a million

1 dollars.

2 The second part of a rate case is rate
3 design, which is how the additional revenues will be
4 collected from the ratepayers. And you will hear
5 tomorrow three issues having to do with rate design
6 and district consolidation. And you heard some talk
7 about that from Mr. Woodsmall.

8 And tomorrow you can ask Staff's
9 witnesses, Keri Roth, for example, why is it that
10 Staff doesn't support single-tariff pricing? Why does
11 Staff think it is more equitable and more just and
12 more reasonable to go to the cost-of-service model
13 that Staff has proposed?

14 A rate case is not just about money.
15 It's also about how a company operates. Does it
16 employ good business practices? Are its facilities in
17 good repair? Is it responsive to its customers? Is
18 the water safe? Is the service adequate?

19 In this regard, you will hear about
20 operations and maintenance, time sheets,
21 communications with customers, customer feedback and
22 several other issues.

23 There are 15 issues remaining on the
24 amended issues list, several with subparts. So it's
25 actually more than 15 makes it sound.

1 One of the issues you will hear today is
2 Income Taxes. And I will speak more about that when
3 we do the mini opening. But let me simply say that
4 what you heard from Mr. Woodsmall with respect to net
5 operating losses is a novel theory of net operating
6 losses and one which, if you swallow that and give the
7 Company what they're asking for, will provide them a
8 double benefit for those net operating losses.

9 You paid great attention during
10 Mr. Woodsmall's opening. I watched you and I saw
11 that, and that's good. And you asked many good
12 questions afterwards. Let me just remind you that
13 what a lawyer tells you, Mr. Woodsmall and myself,
14 that's not evidence. You cannot support a finding of
15 fact based on what I say or based on what
16 Mr. Woodsmall said.

17 You can ask those questions -- and I urge
18 you, please ask those questions of the witnesses that
19 you're going to see in this hearing. Because those
20 witnesses are experts. Those witnesses will be under
21 oath. And what they tell you, you can absolutely, if
22 you believe it, base a finding of fact upon it.

23 Thank you very much. And I'll answer any
24 questions that you may have.

25 JUDGE HATCHER: Thank you, Mr. Thompson.

1 Are there any Commissioner questions?

2 Go ahead, Mr. Chairman.

3 CHAIRMAN RUPP: Thank you. Could you run
4 through the figures that you'd broken out on -- on the
5 current Staff recommendation? You had \$376,000 of
6 cost was attributed in that figure -- 336,000 roughly
7 and it was revenue and roughly half a million was
8 expense. Did I miss one or was that?

9 MR. THOMPSON: Let's see. And these have
10 not been corrected for the issues that were settled.
11 So according to the reconciliation as filed, cost of
12 capital, \$376,786; rate base, \$236,938. Now, these
13 figures are revenue requirement -- additional revenue
14 requirement figures. So that's the effect that
15 category of issues has on the revenue requirement
16 request.

17 The expense issues, \$445,636. Almost all
18 of that is attributable to the mischaracterization of
19 certain expenses as capital investments.

20 CHAIRMAN RUPP: Okay. Great. Thank you
21 for repeating that.

22 MR. THOMPSON: Thank you, sir.

23 JUDGE HATCHER: Thank you, Mr. -- thank
24 you, Mr. Thompson.

25 We will move to Mr. Clizer with the

1 Office of Public Counsel, their opening statement.

2 MR. CLIZER: I assume I'm ready? Okay.

3 Thank you all.

4 First of all, it's a good thing that we
5 settled some of these issues, because it's already
6 been a long day and we haven't even gotten through the
7 openings. But I'm going to endeavor to try and keep
8 this a little bit quicker. I want to thank all of you
9 for your patience and willingness being -- listening
10 to all of this.

11 So I want to start off by echoing
12 something that Staff counsel just said, which is that
13 this iss- -- Mr. Woodsmall during his opening got up
14 and he talked a very great deal about the improvements
15 that Confluence has made to its systems. And nobody's
16 here to dispute that. That's not what this case is
17 about.

18 And I agree. If we had just been focused
19 on trying to make the Company whole for those
20 improvements, we would be done. We'd be settled. We
21 wouldn't be here.

22 So that begs the question. What -- what
23 is actually driving this case? And actually really
24 quick, before I get into that -- and specifically
25 before I get into that handout -- I just want to

1 address -- a lot has been said regarding some of the
2 capital disallowances. In my opinion, I think I can
3 recall four capital disallowances I'm going to talk
4 about really quickly and just get them out of the way.

5 The first is the idea of the things that
6 were capitalized that Staff is saying should be
7 expensed, right? Now, the thing you have to
8 understand about this is that Staff has included an
9 increase to the expenses to compensate the fact that
10 Confluence is not capitalizing those.

11 That means that Confluence is being made
12 whole for all of those improvements. You take it out
13 of capital and you put it in expense. In particular,
14 Staff has increased expense by roughly \$400,000 to
15 reflect the fact that they've taken things out of
16 capital.

17 So the Company -- all that stuff that
18 Mr. Woodsmall got up and talked about, about the
19 improvements they've made, the Company is being
20 compensated for 100 percent of that. It's just not a
21 capital item. It's an expense item.

22 And the only reason Staff did that is
23 because they looked at the Uniform System of Accounts,
24 which, by Commission rule they're supposed to follow,
25 and they said the USOA tells us it's supposed to be

1 expensed. That was all that case is about.

2 Second issue, that's the acquisition
3 costs. The Staff is relying on a long-standing
4 precedent that says you don't recover acquisition
5 costs. I'm going to into that more on detail in the
6 mini opening. I don't really want to get into it now.
7 That issue is worth I think less than \$100,000 of
8 revenue requirement.

9 The only two capital disallowances that
10 have been made by the OPC, the first is the
11 disallowance of AMI meters, which amounts to a total
12 of \$30,000 in revenue requirement. And the other is
13 the fire hydrants at Terre Du Lac, which amounts to an
14 issue for revenue requirement of less than 2,000.
15 These are really small numbers. This is not the issue
16 in front of this Commission. This is not what this
17 case is about.

18 What is this case about? If you'll turn
19 to the handout I've shown you -- or handed out, this
20 identifies the three big dollar items that are
21 actually keeping the parties apart in this case. And
22 right off the bat in case there's confusion, I'm going
23 to tell you, cost of capital in here, it's listed as
24 430. You just heard 370, 380 from Staff. That's the
25 difference between Staff and OPC cost of capital. Our

1 cost of capital is a 430 difference. I want to make
2 sure that was clear.

3 Now, like I said, these aren't the only
4 issues, but they're the biggest dollar issues.

5 They're the ones that are really driving this case.

6 So I want to take just a little bit at a high level --
7 very high level, run through each of these three
8 issues.

9 So I want to start with the -- the Income
10 Tax issue, which is worth about \$450,000. Now, I know
11 that a lot of people think taxes, they think, oh, it's
12 really complicated. It's not. This is a very simple
13 issue. And whether it's today or some other day, my
14 opening will walk through simply in detail, explain
15 exactly what the problem is here.

16 But at a high level, Staff and the OPC
17 want the Company to collect exactly enough money to
18 pay their taxes. We want this company to have every
19 dollar they need to pay taxes.

20 The Company's position is that they
21 should collect more than what they need to pay taxes
22 and the excess they should be able to put in their
23 pocket as profit and walk away with it. That's all
24 that issue is. They want to collect \$450,000 annual
25 in extra profit as money that the Company is going to

1 collect to pay taxes and then not pay taxes. And
2 nobody disagrees that they're not going to pay that
3 money in taxes.

4 And all the OPC and Staff is saying is,
5 if you're not going to pay it out in taxes, you
6 shouldn't be collecting it. That's it. It's a very
7 reasonable position. But again, we want this company
8 to have everything they need to pay taxes. Every
9 dime.

10 So let's go to the other next issue then.
11 Again, cost of capital, which I have on this sheet
12 430. That's us, not the company. Cost of capital,
13 multiple different components. You've got your
14 capital structure, you got your ROE -- that's return
15 on equity. I'm going to keep it real high level right
16 now. I'm just going to talk about return on equity.

17 In the past, this Commission has used
18 what they call the zone of reasonableness. And that
19 test is you take 100 basis points, or 1 percent above
20 and below the national average, and you say hey, is it
21 in that zone?

22 Okay. The documents I've seen show that
23 the national average for water and wastewater
24 utilities by S&P Global, I saw a document in February,
25 it was 9.6. A document came out in May, 9.4. I'll

1 introduce both of those during the evidentiary record.

2 So where's our national average? I'm
3 going to call it 9.5, right between those two, just to
4 keep things simple. Your zone of reasonableness, the
5 low end, 8.5; the high end, 10.5.

6 So where are the parties? Staff's
7 position ROE, 9.5. Right on that national average.
8 Dead on. Now, where is the OPC's position? 9.65.
9 We're actually over the Company [sic]. And I want you
10 to stop and consider that. Because you heard
11 Mr. Woodsmall get up here and bang his fist about how
12 the OPC, we just want to -- we want to punish this
13 Company, we want them to go bankrupt. That's not
14 true. It's just not true.

15 We have recommended a higher ROE than the
16 Staff in this case. We are not asking for an
17 unreasonable position. We are asking for something
18 that is dead on in the national average.

19 Where is the Company at? 11.35. That's
20 185 basis points above the national average. Well
21 outside the zone of reasonableness. That's the
22 problem here. The Company is just not being
23 reasonable with its request.

24 There are a couple other issues in there,
25 the capital structure is one. Again, I'm -- there's a

1 lot to it. I don't want to waste all your time. I'll
2 get to it in the mini openings on that one.

3 So let's move on then to probably the
4 biggest issue here, which is Staff -- sorry, OPC's
5 disallowance for third-party contracts. Now, again,
6 you already heard a lot about this from Confluence's
7 opening and I'm going to go over that, but just at a
8 high level, I want you -- to explain what happened
9 here.

10 The Company is currently spending about
11 1.6 million dollars to hire third-party operators to
12 manage its systems. And what happened is the OPC just
13 said hey, would it be cheaper to do this in-house? So
14 what we did is we took a map of their systems and we
15 tried to break out the systems into a logical grouping
16 based on geographic location and number of systems.

17 We didn't want any one system to have --
18 either -- sorry, any one group to have too many
19 systems or to be so geographically disparate that they
20 have to drive everywhere. So we came up with nine.
21 And we said what would be the cost of hiring nine
22 people? And we came up with 600,000. It's actually
23 slightly less than that, but we said 600,000. So we
24 recommended a million dollar disallowance as a result.
25 Again, they're costing 1.6 million. We think they

1 could do it for 600-; hence, the million dollar
2 disallowance.

3 Look, at the end of the day you might
4 ultimately decide that it needs to be more than nine
5 people. I respect that. We're going to present the
6 evidence and time to talk about what it costs to hire
7 people and you can come up with what the right number
8 is.

9 The real concern here is that the Company
10 just does not want to consider hiring third-party
11 operators. It's -- we genuinely believe that they
12 could significantly reduce overarching costs and save
13 customers money.

14 And I want to point this out. This isn't
15 like a plant issue, right? Where if you disallow
16 plant, the company is not going to be able to recover,
17 it's not going to get its profit. This is an expense
18 item. If the Company doesn't -- if the Company finds
19 a way to lower its expenses, there's no harm to the
20 Company. There's just benefit to the ratepayers. So
21 figuring out if it's possible for us to get a lower
22 expense by hiring in party people, that makes a lot of
23 sense.

24 Now, I wasn't necessarily going to touch
25 on this, but Mr. Woodsmall addressed this in his

1 opening and I really just want to try and touch it. I
2 don't know if any of you have still this handout. If
3 you do, if you could find the pages that talk about
4 this. It's the map and this graph underneath. I have
5 it at page 26 in the bottom left. Actually, I'm going
6 to start on page 27.

7 Now, there were a couple different things
8 that were said here. One thing that I wanted to point
9 out was hey, look. You have 13 systems in operator
10 number three and only two in operator number six.
11 Well, why is that? If you flip back a page and you
12 look at the map, operator number three is a big old
13 cluster of groups around Camden, around the Lake.
14 Operator number six is this stretched out square up
15 here. They're in geographically disparate locations.

16 And we said hey, if we try and stick
17 those in somewhere else, you're going to force
18 somebody to drive all over the place. So this is
19 about the best that we could do to get somebody to
20 look at just these systems. That's why you have that
21 separation.

22 Now, you were also told hey, there's
23 13 systems here. But let's take a close look. Let's
24 read through the names. On the water side, you got
25 Spring Branch, The Missing Well. In Camden you've got

1 Cedar Glenn, Chesle Rose -- sorry, Chelsea Rose, m
2 Cimarron Bay, Eagle Woods or Route KK, and Cedar
3 Green.

4 Now you go to the other side. What do
5 you see? The Missing Well, Cedar Glenn, Chelsea Rose,
6 Cimarron Bay. Eagle Woods/Route KK, Cedar Green. What
7 you really need to realize it's 13 different systems,
8 but it's actually only seven locations.

9 Another thing. You were told that each
10 system had to be inspected three times a week. That's
11 not true. The Company only requires water systems to
12 be checked once a week. For sewer systems it's also
13 once a week, unless the sewer system has mechanical
14 systems, in which case it is three times a week.

15 But you immediately start to see it's not
16 13 systems. It's really just seven locations. And
17 the waters only have to be checked once. And we don't
18 even know whether or not all those sewers require
19 checking three times a week. The hours start to come
20 down.

21 But the real kicker -- and this is where
22 I'm afraid I might have to go in-camera because -- and
23 I'm going to turn to Confluence here. I'm going to
24 wait a second because Confluence's lawyers are
25 conferring.

1 MR. MITTEN: Go ahead.

2 MR. CLIZER: I want to discuss the actual
3 number of operators operating those systems. That was
4 in a confidential --

5 MR. WOODSMALL: I mentioned it in the
6 data request that it's 21.

7 MR. CLIZER: No, I meant that specific --
8 these specific systems.

9 MR. WOODSMALL: Go ahead.

10 MR. CLIZER: Okay. And again, I'm going
11 to get into much more detail on this when it comes up.
12 But the reality is, for 10 of those 13 systems,
13 there's only one main operator. Now, he's receiving
14 back-up from two guys. The first guy is overseeing
15 23 systems. And the second guy is overseeing
16 25 systems.

17 And that one guy who's overseeing ten
18 systems in section three, he's overseeing another two
19 in the second box below. The other three systems in
20 that section are being overseen by a man who's
21 overseeing 19 systems in total. Now, there's a little
22 bit nuance -- more nuance to that, but I will show it
23 all when we get to that. But this idea that one
24 person can't do that, it's not really true.

25 Oh, by the way, as far as the OSHA thing

1 goes, we have a DR response from the Company where we
2 basically ask how often do you actually have to go
3 into those enclosed spaces when you do an inspection?
4 And the answer is you don't. So again, there's a lot
5 more to this issue than what meets the eye.

6 But at a short basic level, what we want
7 the Company to do is to seriously consider can we save
8 money for customers by bringing these jobs in house?
9 And what I think you're going to hear -- because I'm
10 going to ask Staff the same questions -- is that Staff
11 is in total agreement with us. At a minimum, that the
12 Company needs to be exploring that option.

13 Now, they came up with a different
14 recommendation. They didn't say disallow it. They
15 said order the Company to start doing it. We'll get
16 into that later. But the point here is that Staff and
17 OPC is aligned.

18 So that covers what I believe to be the
19 three biggest problems with this case, but I want to
20 keep talking just briefly kind of to touch on what I
21 consider to be the heart of the issue here. And it --
22 it has to deal with what you heard with all that
23 third-party operator.

24 You see, the thing is, Confluence Rivers
25 isn't like other utilities. Most other utilities in

1 the state have a robust workforce that handles its
2 day-to-day operations, that take care of things like
3 call centers, like having people go out and fix
4 problems, like having people make repairs, like having
5 people build plant.

6 But Confluence isn't. What Confluence is
7 actually is a -- it's more like corporate -- or sorry,
8 a commercial real estate company. It owns the
9 systems, but then it hires third-party people to
10 manage them, to operate them, to do the improvements,
11 to do the call centers.

12 And this is causing some of the problems
13 that you're seeing. You want to know why customers
14 are having so much problem? It's because Confluence
15 doesn't have control over its own call center. It's
16 hiring out that job. And that's why you're getting
17 this feedback that you're hearing from customers who
18 are complaining.

19 They don't have direct control over the
20 quality of service because, again, somebody else is
21 operating the system on their behalf. Somebody else
22 is making the improvements on their behalf. And that
23 is the ultimate issue that we're trying to have
24 addressed. We want this Company to improve, to be
25 more like a regular utility.

1 Speaking of customer comments, I want to
2 address one of the bigger ones that you heard a lot
3 of. And a lot of people -- I believe it's already
4 been brought up. Consolidation. Now, real quick, I
5 want to separate two concepts, because I believe
6 Mr. Woodsmall, in his opening, confused them.

7 There's the consolidation of systems and
8 there's a consolidation of rates. Confluence has
9 already consolidated the systems. And we want them
10 to. When you heard stuff about utilities of scale,
11 that's about consolidating the systems.

12 Let's think about it. If I have all my
13 systems under one company and I need to go buy
14 chemicals, I can buy my chemicals in bulk. See? And
15 I can ship it out to my individual systems. That's
16 why you want to consolidate systems.

17 But does consolidating rates give you
18 utilities of scale? No. There's no utilities of
19 scale there. You're just asking everybody to pay the
20 same price.

21 Now, I believe that, Commissioner Hahn,
22 you had asked specifically whether or not there were
23 other recommendations. And I will tell you that
24 Jordan Seaver, on behalf of OPC, did provide several
25 possible options, including some that included either

1 partial or whole consolidation. That wasn't his
2 recommendation, but if you want to learn more about
3 other options for how you could do rates, I strongly
4 recommend that you talk to Mr. Seaver.

5 And on that note, while I'm talking about
6 my witnesses, as far as the NOL issue goes -- sorry,
7 the net operating loss issue, that tax income issue, I
8 strongly encourage that you ask any questions you have
9 to Mr. Riley. He is, as to my knowledge, the only CPA
10 auditor in this building. You probably should listen
11 to what he has to say when it comes to matters of
12 accounting.

13 As far as capital structure, I mean David
14 Murray is absolutely fantastic. He knows his stuff
15 and I'll be happy to have you ask any questions you
16 have of there. He is -- the OPC has the unique tract
17 of taking a hard look at what actual investors look at
18 when they're considering utility stock. And his view
19 is a unique one and important for that aspect.
20 Because we are actually saying okay, what do -- what
21 does the investment community think of these kind of
22 stocks?

23 Also, just because I have to, I'll push
24 out Dr. Marke. Just a brilliant man and always good
25 to have answering questions. He's available on a

1 number of different issues, including the -- obviously
2 the third-party contracted disallowance. If you want
3 more information on how we came up with that and how
4 the Company could potentially save money, that's the
5 person to ask.

6 But -- and I apologize. I kind of got
7 sidetracked there. Back to the issue of
8 consolidation. You heard from customers. They don't
9 want consolidated rates. Now, you were told by
10 Mr. Woodsmall that not consolidating would result in
11 300 to 400 percent increases. That's not true.

12 In fact, the Company's own testimony
13 demonstrates that the OPC's recommendation results in
14 the smallest increase in terms of -- this is a little
15 bit difficult to say because some people have
16 decreases, some people have increases. The OPC just
17 has increases, but our increases are the smallest.
18 In other words, the largest increases are being hit by
19 Company and Staff.

20 This is much easier to understand if you
21 see the graph which, unfortunately, I don't have, but
22 I'll point that out on -- when the issue comes up
23 tomorrow.

24 But at a minimum, listen to the people on
25 this one. They don't want consolidated rates.

1 Just -- just listen to what they have to say.

2 I think that covers just about all of my
3 issues. I genuinely -- again, I ask that you ask our
4 witnesses any questions that you have.

5 Do not overthink the tax issue. I'm
6 going to walk through that one slowly and carefully
7 and explain every facet in my opening that really
8 just -- you should be able to walk away from that
9 understanding that one perfectly. And really pay
10 attention to these three major issues.

11 And I'm going to say something contrary
12 to what Confluence said. I do think you need to look
13 at these individually. I appreciate that Confluence
14 has done a good job, but this is not about trying to
15 give the Company more money than they need to operate.
16 This is about giving them what they need to operate.

17 And to do that, you need to look at and
18 say, well, how do each one of these individual issues
19 reflect on that? And the answer is they don't need
20 these kind of money to continue operations. They
21 don't need an extra \$450,000 in profit because of a
22 tax issue to continue operations. They don't need
23 11.35 ROE.

24 This company has the ability to continue
25 operating, and we expect that it will successfully do

1 so, without needing the outrageous amounts that the
2 Company is now claiming.

3 All right. Now, are there any questions
4 that I can help answer?

5 CHAIRMAN RUPP: Judge.

6 JUDGE HATCHER: Yes, Chairman. Go ahead.

7 CHAIRMAN RUPP: Great. Thank you,
8 Mr. Clizer. Appreciate your opening. Always --
9 always do well.

10 Back to your statement about the ROEs. I
11 did not -- I did not feel that we were limited to a
12 1 percent. I thought it was if there was evidence in
13 the record of which we could -- we could come --

14 MR. CLIZER: I did not want to suggest
15 that you are limited. In fact, it is clearly
16 recognized that you are not limited to the zone of
17 reasonableness. I was bringing it up as a way of
18 describing what the Commission in the past has relied
19 upon as sort of a guidepost. You are correct. You
20 are by no means limited to a 1 percent.

21 CHAIRMAN RUPP: All right. Just wanted
22 to -- to -- to clarify.

23 MR. CLIZER: I apologize if I gave that
24 impression.

25 CHAIRMAN RUPP: No -- no -- no need to.

1 That's why we have follow-up questions.

2 I tried to write as fast as you could --
3 as you were talking. Disallowances was 2,000 -- was
4 \$2,000 for the fire hydrants, \$30,000 for the smart
5 meters. What were the other two?

6 MR. CLIZER: Now, I want you -- I want to
7 be careful here. I -- I am rounding things. Don't
8 hold me to them.

9 CHAIRMAN RUPP: Trust me, I'm not a
10 details person.

11 MR. CLIZER: It's -- it is either 20- or
12 22,000 dollars in plant for the fire hydrants. I
13 can't remember the exact number out of my head. So if
14 you assume an ROE below 10 percent, that's where I'm
15 getting to less than 2,000.

16 CHAIRMAN RUPP: Okay.

17 MR. CLIZER: Similarly, the -- the -- the
18 AMI meters is exactly about 30,000. Dr. Marke's
19 surrebuttal testimony has that, as well as the
20 methodology of how that's computed. What were the
21 other ones that you --

22 CHAIRMAN RUPP: That's what I was asking
23 you. Because I -- I only wrote down the fire hydrants
24 and the smart meters and I thought you mentioned two
25 others.

1 MR. CLIZER: Oh. So the disallowance of
2 acquisition costs. I want to be completely frank
3 here. I know from the reconciliation that the total
4 amount of rate base disallowed by Staff was about
5 \$232,000, but I don't actually know what percentage of
6 that was the move from capital to expense and what
7 percentage of that was the disallowance of
8 acquisitions.

9 I think that Staff counsel said the
10 majority of it was the move from capital expense, so
11 it's probably even smaller than -- less than the
12 hundred thousand I said. I would need -- I would ask
13 a Staff witness that.

14 CHAIRMAN RUPP: We can ask our -- the
15 witnesses. That's okay. I just wanted to -- there --
16 was there one more?

17 MR. CLIZER: So the -- the fourth one
18 was, again, it's the move from capital to expense.
19 And the thing you have to understand there is you
20 reduce the rate base, but you increase the expense.
21 Again, the total reduction in rate base in Staff's
22 reconciliation was, I believe, about 232,000 --
23 236,000. My apologies.

24 CHAIRMAN RUPP: Yeah, \$4,000.

25 MR. CLIZER: And the transfer and

1 normalization of maintenance expense is an increase of
2 448,000. Again, this is the reconciliation filed in
3 the record, so.

4 CHAIRMAN RUPP: Okay. I can look it up.
5 Thank you. Appreciate it.

6 JUDGE HATCHER: And if I can jump in
7 maybe to offer a clarification. Those two are
8 related, but they're separate. An acquisition cost,
9 the disallowance you're recommending, is for that
10 argument of transition versus transaction. And the
11 capital versus expense issue is the accounting
12 categorization?

13 MR. CLIZER: Sure.

14 JUDGE HATCHER: Okay.

15 MR. CLIZER: Yes. So those are separate
16 issues. They're listed as separate issues on the
17 issue list. There's an acquisition issue -- the
18 problem is that the -- the effect of those issues
19 on -- in the reconciliation is baked into the
20 reduction to rate base. So unless somebody tells me
21 differently, I'm pretty sure that you're going to find
22 both those numbers baked into that 236,000 reduction.

23 Were there any other questions?

24 JUDGE HATCHER: None. Thank you,
25 Mr. Clizer. I'm going to wait until Mr. Clizer

1 reaches his seat.

2 I want to stop. I have a couple issues
3 to bring up. The first is, I had heard some
4 discussion among the parties about what to do after
5 opening statements. And we're going to our issues
6 with witnesses or are we perhaps adjourning for the
7 day? I'm just looking for direction.

8 MR. WOODSMALL: Your Honor, as you know,
9 we settled a number of issues. We need to get that
10 reduced to writing. It takes a lot of the pressure
11 off of the hearing.

12 What I would like to do -- I've talked to
13 Staff about this and I believe Mr. Clizer kind of
14 agrees with it, but I'm going to let him speak for
15 himself is I would like the three parties to get
16 together, look at the issues we have remaining. Staff
17 threw out an idea already, but we need to hash through
18 it with the goal of getting this done next Wednesday,
19 instead of next Thursday.

20 So I guess what I'm saying is because of
21 that settlement, I think by taking off the rest of the
22 day, I'm not putting this case at risk of not
23 finishing. So I think we could take off the rest of
24 the day, get the schedule hashed out between the three
25 of us, get that to you.

1 The other thing, I'll be completely frank
2 here, we want to have a discussion with OPC about a
3 couple of their issues. Same thing with Staff.
4 Hopefully by taking the rest of the day off, we may
5 further clean out some issues and reduce the lift on
6 you.

7 JUDGE HATCHER: All right. Are there --
8 is there any input from counsel? Then I think that's
9 an awesome idea. We are not adjourned yet. Everyone
10 please stay here.

11 I have another question for all of the
12 counsel. I have Commissioners in their offices and
13 myself who prepare for testimony each day. Can you
14 give me a list of the 11 that are settled so I can
15 mark them off or can I -- can we start with tomorrow's
16 list?

17 MR. WOODSMALL: I can tell you -- I'm
18 going to need some help. I don't remember them off --
19 okay. Thank you. I was just handed it. This --
20 guys, keep me honest.

21 Uncollectible Expense, Rate Case Expense.
22 Tomorrow, Accounting Services. Monday, Cell Phone and
23 Internet Reimbursement. Monday, Call Center Expense.
24 Monday, Meter Testing.

25 JUDGE HATCHER: Okay. Hold on, hold on.

1 MR. WOODSMALL: I'm sorry. Oh, I'm
2 sorry.

3 JUDGE HATCHER: Monday --

4 MR. WOODSMALL: Monday was only Cell
5 Phone and Internet. Tuesday -- my bad.

6 JUDGE HATCHER: Tuesday, Call Center
7 Expense?

8 MR. WOODSMALL: And Meter Testing.

9 JUDGE HATCHER: And Meter Testing.

10 MR. WOODSMALL: Now into Wednesday,
11 Payroll and Employee Benefits. Thursday, Capital
12 Improvement Plan, Late Fees and Depreciation. Guys,
13 am I right?

14 MR. THOMPSON: I believe you are.

15 MR. WOODSMALL: So as it stands right
16 now, the next three, four issues, if you're preparing,
17 would be Recommended Reports, Income Taxes, Rate
18 Design Consolidation Issue, Acquisition Related Costs,
19 and then Time Sheets to the extent we don't get those
20 resolved.

21 JUDGE HATCHER: And a question. I am not
22 yet of a mind to -- to keep the train running on time,
23 so to speak, so I'm not trying to push anybody
24 forward. However, just to give me an idea, are we --
25 you guys are going to talk about this. Are we

1 thinking that tomorrow's schedule will catch up to
2 where the end of Friday's was? Or are we going to
3 maybe rethink the entire week?

4 MR. CLIZER: I think that at least one
5 proposal has been put out to rethink things to a
6 degree, but we need to discuss on that aspect.

7 JUDGE HATCHER: Mr. Thompson.

8 MR. THOMPSON: Judge, I'm told that
9 questions of witness availability require that we take
10 up and complete the issue of Recommended Reports
11 today.

12 JUDGE HATCHER: Okay.

13 MR. WOODSMALL: Can we take 15 minutes to
14 talk to you and see if that may ease that situation?

15 JUDGE HATCHER: If I can jump ahead, are
16 you still thinking of then introducing the
17 testimony -- the pre-filed testimony or -- I think
18 that's a good idea, Mr. Woodsmall. Any objections to
19 coming back at 3:15? I know that's a little longer
20 than 15 minutes.

21 JUDGE HATCHER: Oh, my God.

22 MR. THOMPSON: Thank you, Your Honor.

23 JUDGE HATCHER: Sorry, Siri is talking to
24 me.

25 Okay. To summarize for everyone, we have

1 a witness availability issue --

2 MR. WOODSMALL: Can you tell me which
3 specific of the three Staff witnesses that is?

4 MR. THOMPSON: All of them.

5 MR. WOODSMALL: All of them are only
6 available today?

7 MR. THOMPSON: I was told we need to do
8 that issue today because issues of witness
9 availability.

10 MR. WOODSMALL: Okay. Let's talk.

11 JUDGE HATCHER: Yes, yes. Let's -- I
12 don't want to get too far into the details about
13 personnel since we are not only on the record, but
14 being broadcast live. Let's take a break until 3:15.

15 I'm going to summarize where we're at.
16 We have an issue of witness availability; however,
17 there is discussions of settlement going on. So if
18 the Commissioners can please give me your patience,
19 come back at 3:15. And I will be looking to the
20 parties -- if things settle and it is just going to be
21 pro forma, send me an e-mail, I will let the
22 Commissioners know. Okay?

23 MR. THOMPSON: Thank you, Judge.

24 JUDGE HATCHER: Anything else before I
25 gavel us in recess until 3:15?

1 MR. WOODSMALL: Thank you, Your Honor.

2 JUDGE HATCHER: Thank you. We are off
3 the record. We are in recess until 3:15.

4 (A recess was taken.)

5 JUDGE HATCHER: Okay. Let's go back on
6 the record. We have returned from recess. We have
7 one issue that we are going to cover today. That is
8 going to be Recommended Reports. We will do mini
9 opening statements and then we will take witnesses on
10 that issue.

11 On the mini opening statements, this is
12 going to be good opportunity for me to point out the
13 time. And the reason that we are going to this issue
14 today is due to witnesses not being available on other
15 days. So the mini opening statements are really meant
16 to give an overview of the issues and not break down
17 what the witnesses are going to testify about.

18 With that said, let's begin opening
19 statements. Confluence.

20 MR. WOODSMALL: Thank you, Your Honor.
21 I'm kind of winging it today. Mr. Cooper, who was
22 supposed to be the attorney on this, is sick so you
23 get me instead.

24 The issue of Recommended Reports in the
25 Company's mind is two fold. First off, Staff is

1 recommending that we keep a number of reports. The
2 concern there is -- think back just moments ago when
3 Mr. Thompson said: We don't trust the Company. We
4 have to go in and audit them. We have to go back and
5 we have to look at their invoices. We have to look at
6 the transactions. We have to make sure these costs
7 are associated with Missouri. The -- all the detail
8 in the audit that they have to do.

9 If they have to do all that, what is the
10 point of keeping the report? If they have to go in
11 and look at what the electric cost is for each system,
12 what the chemical costs are, if they have to look at
13 all that native detail, what is the value of a report?
14 It's busywork for the Company, it's costs for the
15 Company and it increases rates going forward.

16 Many of these reports are worrisome in
17 that some of them the Staff wants us to keep them and
18 submit them between rate cases. Some of them -- the
19 general ledger, providing the general ledger between
20 rate cases is more busywork. It's not simply a matter
21 of turning over a document. It's a matter of
22 scrubbing that document for certain costs that don't
23 flow through to Missouri. It's a lot of work.

24 Staff would be doing this in a rate case
25 anyway, so why incur the costs that will eventually

1 flow through to customers if they're going to look at
2 the native detail anyway? Thank you, Your Honor.

3 JUDGE HATCHER: Move to Staff. Any
4 opening?

5 MS. KERR: Yes.

6 JUDGE HATCHER: And I do understand that
7 Staff has two counsel that will be doing the breakdown
8 of these issues. And Ms. Kerr, if you would, and
9 Mr. Stacey, please state and spell your name for the
10 court reporter, because we didn't have that at the
11 very beginning.

12 MS. KERR: Sure.

13 JUDGE HATCHER: Thank you.

14 MS. KERR: Do you want me to do my
15 opening and then have my witness, and then Mr. Stacey
16 do his and then have his witnesses? Or do you want
17 both of us to do our openings one right after the
18 other?

19 JUDGE HATCHER: Now that I have seen -- I
20 think what I -- I believe is the organization, let's
21 go ahead and have all the openings taken care of and
22 off the board. Since the other parties didn't split
23 up the issues, I don't want to have Mr. Stacey come in
24 halfway through and -- so excellent. Go ahead,
25 Ms. Kerr. I'm sorry.

1 MS. KERR: Okay. Thank you. May it
2 please the Commission. My name is Carolyn Kerr,
3 C-a-r-o-l-y-n K-e-r-r, and I'm an attorney with the
4 Staff Counsel's Office of the Missouri Public Service
5 Commission.

6 I'm here tod- -- here today to testify
7 for Staff will be Paul Amenthor, who will testify
8 about which reports recommended by Staff, if any,
9 Confluence should be ordered to maintain and provide
10 to Staff and the Office of Public Counsel when
11 requesting future rate cases.

12 The issue before the Commission for which
13 Mr. Amenthor will testify is whether Confluence should
14 be ordered to maintain and provide three different
15 types of reports for Staff; namely, billing and
16 customer account information relating to customer
17 revenue, chemical usage data reporting and its
18 electrical expense data. These are the reports
19 outlined in the amended list of issues, Issue 1A.

20 Staff's position is that Confluence
21 should perpetually maintain certain specific
22 information as outlined on page 15 and 16 of
23 Mr. Amenthor's direct testimony so it can be readily
24 furnished to Staff upon request in order for Staff to
25 complete its audit in a timely manner during a rate

1 case.

2 Instead of having to spend unnecessary
3 time working with Company, Staff and reading through
4 data and invoices trying to find the relevant
5 information, like they had to do with this case, Staff
6 wants the Commission to order Confluence to start
7 maintaining the information needed for future rate
8 cases on an ongoing basis now so that in the future,
9 Staff will be able to ask for a report of the data,
10 receive it from the Company, and be able to analyze it
11 in a meaningful and efficient fashion.

12 It's Mr. Amenthor's understanding, as his
13 testimony shows, that the information and data that
14 Staff requests to be maintained and put into these
15 reports is already being maintained by the Company and
16 would not cause it to incur additional labor or
17 expense to comply.

18 Furthermore, not only would maintaining
19 the customer revenue information, chemical usage
20 electric expense data aid the Staff in its future
21 audits during a rate case, it's good business practice
22 for the Company to undertake to keep track of its own
23 cost and expenses on an ongoing basis, regardless of
24 whether it's asking for a change in its rates.

25 It's probably something the Company

1 should be doing anyway in terms of keeping track of
2 its financing, identifying spending trends, budgeting,
3 et cetera.

4 Confluence argues that it should not have
5 to prepare and maintain the requested reports for
6 Staff because the information is already available in
7 its, quote, native format and the Staff can just
8 review that data when it comes -- when it needs to at
9 the time it audits the Company during the next rate
10 case.

11 The Company claims that preparing such
12 reports will cost it extra time, effort and money,
13 which it will have to impose or pass onto its
14 ratepayers because it has -- will have to divert its
15 resources to interpreting and compiling the
16 information and developing and maintaining requested
17 reports for staff, instead of keeping costs as low as
18 possible and concentrating on its business.

19 Confluence argues that the Staff should
20 simply audit the data at the time of the next rate
21 case, instead of requiring the Company to maintain
22 reports or compilations of that information to aid in
23 the process in future rate cases.

24 The problem with Confluence's argument,
25 however, is that the information is already available

1 and maintained by the Company. What Staff is asking
2 the Company to keep track of and report is really not
3 more than what is physical -- what a fiscally
4 responsible company would do anyway.

5 Besides, with the trouble and delay Staff
6 and Company had obtaining this type of data during
7 this rate case, asking the Company to maintain these
8 reports on an ongoing basis so that the information is
9 readily available for future rate cases, it would be
10 helpful for both PSC Staff and the Company.

11 These reports will make it more likely
12 that the information obtained for auditing and
13 rate-making purposes is accurate and reliable and that
14 future rate cases will proceed in a smooth and
15 efficient manner.

16 I'll be happy to answer any questions.
17 Thank you.

18 JUDGE HATCHER: Thank you, Ms. Kerr.
19 Are -- are there any Commissioner questions? I
20 understand that there were Commissioners that were
21 calling in. I'll give that a second. Okay. Hearing
22 none --

23 COMMISSIONER KOLKMEYER: No questions.

24 JUDGE HATCHER: Oh, go ahead.

25 COMMISSIONER KOLKMEYER: No questions --

1 no questions, Judge.

2 JUDGE HATCHER: Thank you, Commissioner
3 Kolkmeier. Thank you, Ms. Kerr.

4 MS. KERR: Okay.

5 JUDGE HATCHER: And Mr. Stacey.

6 MR. STACEY: Thank you, Judge. Good
7 afternoon, Your Honor, and Commission. May it please
8 the Commission. My name is Scott Stacey, S-c-o-t-t,
9 last name Stacey, S-t-a-c-e-y, and I'm counsel for
10 Staff.

11 Here to testify on behalf of Staff is
12 Jane Dhority and Ashley Sarver. They will be
13 discussing two issues. One of the issues is -- for
14 the Commission is whether Confluence should maintain a
15 monthly report and be provided in future rate cases to
16 include showing the payment habits of customers that
17 includes the amounts of actual revenue collected at
18 different time intervals so this data can be used in
19 lead-lag studies.

20 The answer to that question is yes.
21 Staff recommends the Commission order Confluence to
22 maintain a day-to-day collection report by tariff rate
23 district going forward for Staff to utilize in future
24 cash-working, capital lead-lag studies.

25 Staff also recommends the Commission

1 order Confluence going forward to maintain all
2 invoices supporting test year costs. Staff further
3 recommends the Commission order Confluence to record
4 the revenue and expense related to primacy fees using
5 a separate minor account designation in order for
6 Staff to more easily review and possibly propose
7 adjustments in future rate case proceedings.

8 And Staff recommends further that
9 Commission order Confluence to maintain a refund
10 report including the date, amount, customer name,
11 customer address and associated water and wastewater
12 system. This will be helpful in assessing the number
13 of refunds being issued and the nature of the refunds,
14 should Confluence choose to make future adjustments to
15 its policies and procedures.

16 However, Staff is willing to forego that
17 request, that the Company maintain a refund report, so
18 long as Confluence maintains the billing report as
19 discussed in Mr. Amenthor's surrebuttal testimony.

20 This issue and recommendations can be
21 found in Ms. Dhority's direct testimony; page 14,
22 18 through 21; page 16, paragraphs 18 through 20;
23 page 18, paragraphs 5 through 9; and her surrebuttal,
24 pages 3 through 5.

25 The other issue is should Confluence

1 provide the Confluence general ledger, CSWR general
2 ledger and allocation percentages with supporting
3 information on a quarterly basis including between
4 rate cases?

5 The answer to that question is also yes.
6 Staff recommends the Commission order Confluence as
7 follows: If a cost is directly incurred that was
8 caused by a specific system within a particular state,
9 CSWR should assign those costs to the appropriate UOC
10 where appropriate and not record direct costs to the
11 CSWR ledger, but rather record them to the ledger at
12 the state level that incurred the cost.

13 The CSWR ledger should include only costs
14 for which the cost cannot be directly associated with
15 an individual UOC or state and must be allocated.

16 In addition, CSR has been and plans to
17 continue acquiring water and wastewater utilities
18 within Missouri, as well as in states outside of
19 Missouri. Staff would like to monitor CSWR's and
20 Confluence general ledger as the acquisitions continue
21 to occur.

22 Staff recommends the Commission order
23 Confluence to provide the general ledger and
24 Confluence general ledger for quarterly surveillance,
25 as well as order Confluence to maintain reports

1 showing what the monthly allocations are by CSWR
2 and/or UOC for each allocation factor.

3 These items will allow Staff to monitor,
4 to ensure that as systems are acquired, the allocation
5 factors are adjusted accordingly.

6 In conclusion, Staff recommends that the
7 Commission order Confluence to provide the following
8 information on a quarterly basis: A complete,
9 detailed transactional general ledger for CSWR;
10 complete detailed transactional general ledger for
11 Confluence; overhead allocation factors by each
12 affiliate, with the associated supporting data for
13 each factor; plant-in-service dollars; number of
14 customer connections; and expense dollars.

15 These issues and recommendation can be
16 found in Ms. Sarver's direct and her surrebuttal
17 testimony.

18 Thank you. And I'm available for any
19 questions.

20 JUDGE HATCHER: Thank you. Are there any
21 Commissioner questions for Mr. Scott? Thank you, sir.

22 MS. STACEY: Thank you.

23 JUDGE HATCHER: And the Office of Public
24 Counsel.

25 MR. CLIZER: Where did my book go? I

1 need that back.

2 MS. KERR: Sorry.

3 MR. CLIZER: That's okay. May it please
4 the Commission.

5 I'm going to keep this very short and
6 very simple and sweet. The problem here is that Staff
7 basically said hey, the data that we were getting from
8 the Company isn't of the quality necessary for us to
9 complete our audits in a timely and reasonable manner.
10 They had gaps in the information that was being
11 provided and they had difficulty getting to that
12 information.

13 All this issue is about is your Staff
14 telling you, We need you to order the Company to
15 maintain data in a manner that we can use to perform
16 our primary function. That's literally all you need
17 to do.

18 The Commission clearly has the grant of
19 this power. 393.140, sub 4, gives the Commission at
20 its discretion the ability to order a company to
21 maintain certain forms or accounts, records and
22 memorandum.

23 Again, your Commission -- your Staff was
24 having difficulty completing its job because it wasn't
25 getting the information that it needed from what

1 Confluence had supplied. And all it's asking you to
2 do is provide -- or sorry, order the Company to
3 provide that information so that in the future, it can
4 complete its audits in a timely and reasonable manner.
5 Thank you.

6 JUDGE HATCHER: Any Commissioner
7 questions for Mr. Clizer? Thank you, sir.

8 If I'm understanding this right, we are
9 going to the Company to call its first witness.

10 MR. WOODSMALL: Yes, Your Honor.
11 Confluence Rivers calls Brent Thies to the stand.

12 JUDGE HATCHER: And Mr. Thies, before you
13 sit down, if you would please raise your right hand.

14 (Witness sworn.)

15 JUDGE HATCHER: Thank you, sir.
16 Mr. Thies has been sworn. Confluence, your witness.

17 MR. WOODSMALL: Thank you, Your Honor.

18 BRENT THIES, being first duly sworn, testified as
19 follows:

20 DIRECT EXAMINATION BY MR. WOODSMALL:

21 Q. Would you state your name for the record
22 and by whom you're employed?

23 A. Brent Thies. I'm employed by CSWR, LLC.

24 Q. And what is your role at CSWR?

25 A. I'm the vice president and corporate

1 controller.

2 Q. And did you cause to be filed in this
3 case direct testimony, rebuttal testimony and
4 surrebuttal testimony?

5 A. I did.

6 Q. And for your records, those have been
7 marked as Exhibits 17, 18 and 19. That -- that
8 testimony was prepared by you or under your
9 supervision?

10 A. Yes.

11 Q. Do you have any corrections to make to
12 that testimony?

13 A. I do have just one correction in rebuttal
14 testimony. It's -- it's -- it's minor. But it's on
15 page 21, line 17. That line reads: Evidence that
16 CSWR continues to source capital from outside its
17 outside investors.

18 The word "outside" appears there twice.
19 So you would need to cross out the first instance of
20 that word.

21 Q. Okay. So would you read line 17 as you
22 are correcting it?

23 A. Evidence that CSWR continues to source
24 capital from its outside investors.

25 Q. Thank you. And with that change, would

1 your answers to the questions posed in Exhibits 17, 18
2 and 19 be the same as they are reflected there?

3 A. Yes.

4 MR. WOODSMALL: Your Honor, I would move
5 for the admissions of Exhibits 17, 18 and 19 and
6 tender the witness for cross-examination.

7 JUDGE HATCHER: Thank you. You've heard
8 the motion to admit Exhibits 17, 18 and 19. Are there
9 any objections?

10 MR. CLIZER: No objection. I missed the
11 page number of the -- it's line --

12 JUDGE HATCHER: Twenty-one.

13 MR. CLIZER: Twenty-one, line 17. Thank
14 you. No objection.

15 MR. THOMPSON: No objection from Staff,
16 Judge.

17 MR. WOODSMALL: Thank you, Your Honor.
18 Tender the witness.

19 JUDGE HATCHER: For the record, those
20 three, 17, 18 and 19, are admitted onto the hearing
21 record.

22 (Exhibits 17, 18 and 19 were received
23 into evidence.)

24 JUDGE HATCHER: The witness has been
25 tendered. We will go first to Staff. Any questions

1 of the witness?

2 CROSS-EXAMINATION BY MS. KERR:

3 Q. Now, isn't it your testimony that this
4 information --

5 JUDGE HATCHER: Ms. Kerr, I'm so sorry.
6 We have some of the Commissioners on WebEx and due to
7 the -- the audio/video set-up -- yes, thank you. I
8 need you to talk into the microphone. I appreciate
9 it.

10 MS. KERR: Sure.

11 BY MS. KERR:

12 Q. Wasn't some of your testimony that some
13 of this information, especially the consumer
14 information, was already available, that you were
15 willing to provide that to the Staff?

16 A. Are you referring to some of the payment
17 and billing items? Yes.

18 Q. Yes.

19 A. Yes.

20 Q. So that's not really anything new that
21 Staff is asking for?

22 A. The -- the piece that's new is the report
23 that relates payments to when the revenue was booked.
24 That's not a report that we can produce natively so
25 that report, in particular, would take some extra work

1 to develop. And then I can't even speak today to what
2 it would take to produce that report on a monthly
3 basis. That is not natively available in our billing
4 or accounting systems.

5 Q. Okay. But you have that information and
6 you had offered to provide it?

7 A. We -- we -- we certainly have information
8 about when a customer pays us. But one of
9 Ms. Dhority's reports relates to -- and she gives an
10 example of a payment a number of days after the bill
11 was made. And so there's a little bit of nuance there
12 to the particular type of report. And that's not
13 something that we're currently producing.

14 But we do have a report that lists the
15 date that a customer pays us. If we -- if we didn't
16 have that, we wouldn't be able to charge late fees and
17 things like that.

18 Q. Okay. And I guess are you -- I guess I'm
19 referring to Caitlin O'Reilly's rebuttal testimony.

20 A. Okay.

21 Q. Her rebuttal testimony on page 11.

22 A. I do not have Ms. O'Reilly's testimony in
23 front of me.

24 Q. Okay. And she's not testifying, correct?

25 MR. WOODSMALL: Your Honor, that's a

1 great point. Let me clear up. I -- I believe what
2 was talked about with the parties -- and I think
3 everybody understood this -- was that Mr. Thies was
4 adopting Ms. -- Ms. O'Reilly's rebuttal testimony.

5 I should have had that marked and I
6 should have moved for that, but I can do that now or
7 after we do the cross-examination. However you want
8 to handle it. But I would get that to you.

9 JUDGE HATCHER: And did Ms. O'Reilly have
10 other testimony besides rebuttal?

11 MR. WOODSMALL: That was just the
12 rebuttal.

13 JUDGE HATCHER: Okay. Let's -- let's
14 pause here, Ms. Kerr. I would like to recognize
15 Mr. Woodsmall for the sole purpose of moving to enter
16 Ms. O'Reilly's testimony as an exhibit to be adopted
17 by Mr. Thies.

18 MR. WOODSMALL: Thank you, Your Honor.

19 DIRECT EXAMINATION (CONT'D) BY MR. WOODSMALL:

20 Q. Ms. O'Reilly filed Exhibit Number 15,
21 rebuttal testimony. Have you reviewed that, sir?

22 A. Yes.

23 Q. And are the answers contained therein
24 correct, to the best of your knowledge, information
25 and belief?

1 A. Yes.

2 MR. WOODSMALL: Your Honor, I'd move for
3 the admission of Exhibit 15.

4 JUDGE HATCHER: Any objections? Hearing
5 none, it is so admitted.

6 (Exhibit 15 was received into evidence.)

7 THE WITNESS: Thank you.

8 MR. WOODSMALL: And for purposes of her
9 cross-examination, I've handed the witness a copy of
10 Exhibit 15. Thank you for the indulgence, Your Honor.

11 JUDGE HATCHER: Thank you, sir.

12 Ms. Kerr.

13 CROSS-EXAMINATION (CONT'D) MS. KERR:

14 Q. So then I referred you to Ms. O'Reilly's
15 testimony, her rebuttal testimony, on page 11, line
16 18. And I'm sorry. I think I said some -- I referred
17 to the consumer information.

18 But she says that the information Staff
19 seeks would be made -- made available to Staff in
20 future cases with regard to the electric utility ---
21 invoices from electric utilities?

22 A. Uh-huh.

23 Q. So aren't -- isn't Confluence basically
24 agreeing to make those reports available?

25 A. The information that she's -- the way I

1 interpret that and what -- what we would -- would say
2 is the information that Staff has requested is
3 largely, if I remember correctly, if not entirely,
4 available on those invoices. And those obviously
5 would be made available during -- during a rate case.
6 So that's -- that's a suggestion there. It's just...

7 Q. So asking the Company to make a report on
8 that isn't really doing anything more than you're
9 already doing?

10 A. We don't have a report in the format
11 that -- and I don't remember if it was Witness
12 Amenthor or Dhority who suggested it. We don't have a
13 report in that format. And so the -- the Company's
14 position and my thought was, you know, proper audit
15 procedures, which have been talked about already
16 today, necessarily involve going to the source
17 documentations, which would be the invoices.

18 So, you know, the question of an extra
19 report is -- is extra work. And to your point, you
20 know, there -- we're doing work with those electric
21 invoices already, but -- but there is extra work to be
22 done there.

23 Q. So isn't it true that CSWR and Confluence
24 already do ledgers on a quarterly basis, and that it's
25 not something -- that you would be doing something

1 new?

2 A. Are we talking about electric or are
3 we -- are we speaking of general ledgers?

4 Q. General ledgers.

5 A. As requested by Ms. Sarver, yes. Yes,
6 we -- we -- we -- we have general ledgers that we --
7 you know, general ledger is simply where all the
8 accounting information is collected. And so in our
9 accounting system, that is a report.

10 One of the -- the things to note about
11 that particular report is that we produced a general
12 ledger report in response to a data request and that
13 didn't have sufficient detail as it comes natively out
14 of our accounting system for Staff. As they worked
15 through service area level expense, that -- that
16 information wasn't always there.

17 So depending on the -- the exact nature
18 of what -- what Staff needs as a result of that
19 report, it could take substantial extra work to run
20 multiple reports and combine them, or at the very
21 least, it's -- it's -- in our experience in this rate
22 case it wasn't as simple as running the native general
23 ledger report out of our system. More work was needed
24 to get Staff the detail that they required for their
25 audit.

1 Q. And isn't it true that you did not
2 respond to Staff's response on reporting in your
3 surrebuttal testimony?

4 A. Are we speaking of my testimony or -- or
5 Ms. O'Reilly's? Ms. O'Reilly did not file
6 surrebuttal, so we are talking about mine.

7 Q. Yes.

8 A. Bear with me just a moment. I do not see
9 that in the table of contents. I did not remember,
10 but I do not see that in the table of contents.

11 Q. I'll withdraw that.

12 Now, isn't it also true that Staff did
13 not ask the Company to hire anybody -- to hire
14 additional staff to handle those reports?

15 A. Your question is did Staff ask or -- or
16 suggest that we hire someone for those reports?

17 Q. Right.

18 A. They did not.

19 Q. Okay. I don't think I have any other
20 questions right now.

21 A. Okay. Thank you.

22 JUDGE HATCHER: Okay. Thank you.

23 Mr. Clizer.

24 MR. CLIZER: No questions, thank you.

25 JUDGE HATCHER: Thank you. And any

1 Commissioner questions?

2 COMMISSIONER COLEMAN: No, I'm good.

3 Thank you.

4 QUESTIONS BY JUDGE HATCHER:

5 Q. The Bench does have some questions. And
6 these were going to be directed to Ms. O'Reilly, but
7 since you're adopting her testimony, do you oversee
8 the accounting team?

9 A. I do.

10 Q. And does that include the employees
11 responsible for accounts payable functions?

12 A. It does.

13 Q. Okay. Would it be good practice before
14 paying any invoices on behalf of Confluence, to
15 determine that an invoice submitted for payment of
16 chemicals purchased for Confluence includes a
17 description of the chemicals purchased, the quantity,
18 the price per unit and total price, date delivered and
19 where delivered?

20 A. So the question is would that be good
21 procedure?

22 Q. Good practice.

23 A. That is not a procedure we have -- have
24 dictated that our accounts payable team perform. And
25 part of the reason for that is we -- we have operation

1 staff who approve those expenses.

2 But if -- in a different context where
3 the operators were not -- operation staff were not
4 approving those invoices, it would be a great -- a
5 great procedure, yes.

6 Q. Does Confluence maintain warehouses for
7 its chemicals?

8 A. No.

9 Q. Does each facility have its own inventory
10 of chemicals?

11 A. Not that Confluence keeps. There's no
12 inventory on our books is what I'm saying.

13 Q. Where are the chemicals kept?

14 A. The -- the third-party operators would be
15 responsible for -- for those chemicals.

16 Q. Does Confluence verify receipt of
17 chemicals prior to paying each invoice?

18 A. Again, the responsibility for that would
19 fall with the member of our operations team who's
20 approving the invoices that come either from the
21 supplier or from the third-party operator should they
22 be responsible to buy those chemicals.

23 Q. This operations team member, you've
24 mentioned twice --

25 A. Sure.

1 Q. -- that they're approving things. Who do
2 they work for?

3 A. They would -- they work for -- they work
4 for Confluence Rivers. They work for -- for -- I'm
5 sorry. Work for CSWR. I was trying to think of
6 who -- who they would report to that might be a
7 witness, but they work for CSWR.

8 Q. Inc. or LLC?

9 A. LLC.

10 Q. But they're not on the accounting team?

11 A. No. And -- and our -- our approval
12 structure flows outside the accounting team for all
13 types of invoices. Our attorneys would approve
14 legal -- legal invoices and that kind of thing as
15 well.

16 Q. How -- what's the process for determining
17 when more chemicals are needed?

18 A. I do not know. That would be an
19 operations question. I do not know the answer to
20 that.

21 Q. What documentation is required before an
22 operator is reimbursed for chemicals they purchase?

23 A. They would be required to submit a
24 receipt of some sort. If the operator purchased it,
25 they would send us their invoice with -- with

1 supporting documentation that -- that would be a
2 receipt.

3 Q. Thank you.

4 JUDGE HATCHER: That's all the Bench
5 questions I have. That does take us, though, to
6 recross examination. So we will start again with
7 Staff. Do you have any questions on recross?

8 MS. KERR: No.

9 JUDGE HATCHER: Thank you. And
10 Mr. Clizer?

11 MR. CLIZER: No questions. Thank you.

12 JUDGE HATCHER: And redirect? We do.
13 Mr. Woodsmall.

14 MR. WOODSMALL: Thank you, Your Honor.
15 REDIRECT EXAMINATION BY MR. WOODSMALL:

16 Q. You were asked a number of questions,
17 including questions about electric reports. And so
18 rather than go through every report, let's just start
19 on electric reports and we'll just limit it to that.
20 Do you have Mr. Amenthor's direct testimony?

21 A. I do. Give me a moment. Okay. What
22 page.

23 Q. Page 16. It's the third bullet, starting
24 on line 13.

25 A. I'm sorry. You said page 13 or page 16?

1 Q. Page 16.

2 A. Line 13?

3 Q. Line 13.

4 A. Okay. Got it.

5 Q. Okay. I just want to give the Commission
6 an idea of the complexity of this report. So let's
7 start off, name of the system. In Missouri, would you
8 agree that there's -- was 68 in this rate case, but
9 going forward there's more than 68 systems that
10 Confluence Rivers operates; is that correct?

11 A. Correct.

12 Q. Okay. The system type, water or
13 wastewater, easy enough. The name of the electric
14 provider. Are all Confluence systems served by the
15 same electric provider?

16 A. No.

17 Q. Okay. So Confluence may have systems
18 provided service by Ameren?

19 A. Sure.

20 Q. Evergy?

21 A. Sure.

22 Q. Empire?

23 A. I don't know of Empire, but a number of
24 cooperatives.

25 Q. Okay. Number of cooperatives?

1 A. Uh-huh.

2 Q. Some municipalities?

3 A. Uh-huh.

4 Q. So we're talking about numerous different
5 electric providers --

6 A. Sure.

7 Q. -- for 68, 70 different systems?

8 Okay. Let's go a little further. The
9 type of asset; asset receiving service for each
10 electric bill such as lift station, well, lagoon and
11 treatment plant. Do you see that?

12 A. Uh-huh.

13 Q. So 70 systems with let's say a total of
14 six electric providers. And some of these systems
15 have numerous assets; is that correct?

16 A. That's correct.

17 Q. Okay. So Terre Du Lac system with a
18 lagoon -- or two lagoons and an oxidation ditch and
19 lift stations and pumps and blowers and aerators. We
20 may have, while one provider, numerous different
21 assets receiving electric service; is that correct?

22 A. That's correct.

23 Q. And they all may be metered separately;
24 is that correct?

25 A. That is correct.

1 Q. Okay. And then they ask for -- this is
2 the one that really stumps me so maybe you can find
3 some value in this. Staff asks for the phase of
4 electricity used for each. So for these hundreds, if
5 not thousands, of assets across Missouri, they want to
6 know what phase of electricity is used for each. Can
7 you tell me what that even means?

8 A. I cannot. I don't know.

9 Q. Okay. You don't see -- for a cost to
10 Confluence River, for your purposes of doing
11 accounting, controlling the books, you don't see the
12 value of knowing what the phase of electricity is for
13 these hundreds, if not thousands, of assets?

14 A. I do not.

15 Q. Okay. This is going to be a lengthy
16 report; is that correct?

17 A. I think so, yes.

18 Q. And it's going to get harder and harder
19 the more systems we add; is that correct?

20 A. That's correct.

21 Q. And if the Commission undertakes
22 consolidation, would you believe the need for this
23 type of detail is minimized?

24 A. I would. And I believe the -- you know,
25 part of Staff's procedure was to create a cost of

1 service for each service area. And so -- and if
2 you're trying to break cost down at that level, you
3 certainly need more detail. But once -- once
4 consolidation happens, some of that detail may not be
5 quite as necessary.

6 Q. Okay. So if the Commission accepts the
7 Company's position on consolidation, the need for this
8 detail down to the infinite level is reduced; is that
9 correct?

10 A. In my opinion, yes.

11 Q. Okay. Let's talk about general ledger.
12 You recall some -- some conversation about that?

13 A. Yes.

14 Q. And I've gotten kind of lost, so keep me
15 straight here. Unlike some of the reports, the
16 electric report, with all of its detail, that would
17 only be provided in the context of a rate case, as I
18 understood it; is that correct?

19 A. Correct.

20 Q. Okay. But the general ledger, Staff
21 wants you to provide that, what, quarterly between
22 rate cases?

23 A. Quarterly, yes.

24 Q. For what purpose?

25 A. I don't -- I don't know specifically.

1 Q. And -- and is that work to you? Work to
2 the Company?

3 A. To generate and provide that report,
4 sure.

5 Q. Can you tell me what's involved in that?

6 A. So again, as I was mentioning --
7 mentioning before, I don't know all the nature of
8 exactly what Staff is looking for that, but I know
9 that in this rate case when we produced the report
10 that's named General Ledger Detail Report from our
11 accounting system, it was not sufficient.

12 And I understand why because, it -- it
13 didn't have some of the detail of service areas on it.
14 That detail is available in another place in our
15 system, but it involves taking another report and, you
16 know, mapping it -- sort of Excel magic, right,
17 against that general ledger report to produce
18 something that can give Staff all the detail that they
19 needed.

20 So again, to produce that regularly would
21 require more work than simply pressing the "go" button
22 on a General Ledger Detail Report out of my accounting
23 system.

24 Q. Okay. And again, you don't see the value
25 of giving that between rate cases, because there's no

1 issue involved that Staff needs it between rate cases;
2 is that correct?

3 A. Not that I'm aware of.

4 Q. Okay. And re- -- help me. Do you submit
5 an annual report on -- on behalf of Confluence River
6 every year?

7 A. We do.

8 Q. And that information -- there's
9 information there -- financial information and asset
10 information and different costs; is that correct?

11 A. Certain operational information as well,
12 things like sledge hauling, chemical usage on the
13 water side is in that report.

14 Q. So we give -- pursuant to Commission
15 practice, we give the Commission certain information
16 every year. What's being talked about here is far and
17 away above those annual reports; is that correct?

18 A. That's correct.

19 Q. Okay. And the general ledger, Staff
20 didn't just want it for Confluence River; is that
21 correct? They wanted it for the parent company, CSR;
22 is that correct?

23 A. CSWR, LLC, yes.

24 Q. So all the work you talked about going
25 into scrubbing and modifying and providing this

1 general ledger in the form that Staff wants for
2 Confluence River, multiply it by two because you'll
3 have to do it for CSWR as well; is that correct?

4 A. That's correct.

5 Q. Any other state require that from you?

6 A. No.

7 Q. So Missouri would be the only state?

8 A. Correct.

9 Q. So even though Staff said they didn't ask
10 you to employ anybody to do this, there would be costs
11 to you to do this; is that correct?

12 A. Yes.

13 Q. And the only state that wants you to do
14 it is Missouri. Kentucky, Texas, Louisiana,
15 Mississippi, no one else asks you to do this; is that
16 correct?

17 A. That's correct.

18 Q. So there's no employee currently around
19 doing this stuff for other states?

20 A. That -- certainly not -- certainly not
21 this, no.

22 Q. Okay. And while Staff didn't ask you to
23 hire anybody, would this require man hours and cost?

24 A. It would require man hours.

25 Q. Staff include any of those man hours or

1 cost in their revenue requirement here?

2 A. No.

3 Q. You'd have to eat that?

4 A. At -- at the beginning, yes. Until the
5 next rate case.

6 Q. Okay. And so if you go three years
7 between rate cases, that's three years of costs coming
8 off of your bottom line just to provide a Staff -- a
9 report to Staff when you don't even have a rate case
10 pending?

11 A. Correct.

12 MR. WOODSMALL: I have no further
13 questions, Your Honor.

14 JUDGE HATCHER: Thank you. And
15 Mr. Thies, you are excused.

16 Staff, your witness or witnesses.

17 MS. KERR: Call Paul Amenthor.

18 JUDGE HATCHER: Thank you. And
19 Mr. Amenthor, if you would please raise your right
20 hand.

21 (Witness sworn.)

22 JUDGE HATCHER: Thank you, please have a
23 seat. Ms. Kerr, your witness.

24 MS. KERR: Thank you.

25 PAUL AMENTHOR, having been first duly sworn, testified

1 as follows:

2 DIRECT EXAMINATION BY MS. KERR:

3 Q. Could you please state your name for the
4 record and spell your last name as well?

5 A. My name is Paul Amenthor. The last name
6 is spelled A-m-e-n-t-h-o-r.

7 Q. And by whom are you employed and what's
8 your position?

9 A. Yeah. I'm employed by Missouri Public
10 Service Commission as a senior utility regulatory
11 auditors.

12 Q. Have you prepared and filed testimony in
13 this proceeding? Specifically direct testimony on
14 May 26, 2023; rebuttal testimony on June 29th, 2023;
15 and surrebuttal testimony on July 21st, 2023, which
16 have been premarked as Exhibits 100, 113, and 122?

17 A. Yes.

18 Q. Do you have any changes or corrections to
19 make to any of those documents?

20 A. No.

21 Q. If I were to ask you the same questions
22 in those -- in those documents today, would your
23 answers be the same or substantially the same?

24 A. Yes.

25 Q. And are those same answers true and

1 correct, to the best of your knowledge and belief?

2 A. Yes.

3 Q. Excuse me.

4 MS. KERR: I offer Exhibits 100, 113 and
5 122 into evidence and tender the witness for cross.

6 JUDGE HATCHER: Thank you. You have
7 heard the motion of counsel for the admission of
8 Exhibit 100, 113 and 122. Are there any objections?

9 MR. WOODSMALL: No objections, Your
10 Honor.

11 JUDGE HATCHER: Hearing none, it is so
12 admitted.

13 (Exhibits 100, 113 and 122 were received
14 into evidence.)

15 JUDGE HATCHER: The witness has been
16 tendered and we will go to Mr. Clizer.

17 CROSS-EXAMINATION BY MR. CLIZER:

18 Q. Good evening, Mr. Amenthor.

19 A. Good evening.

20 Q. Were you here during the openings?

21 A. Yes.

22 Q. Were you here during the testimony of
23 Mr. Thies?

24 A. Yes.

25 Q. Part of the Company's position in this

1 case is that they evidence -- sorry, the information
2 you want is already present in source documents. You
3 would agree with me on that?

4 A. That's what the Company said.

5 Q. Do you have a copy of your surrebuttal in
6 front of you?

7 A. Yeah.

8 Q. Could you turn to page five --

9 A. Yes.

10 Q. -- of your surrebuttal for me, please?

11 A. Yes.

12 Q. Oh, sorry. Page five, lines 21 through
13 23. You would agree with me that it reads: Sometimes
14 the electric bills -- sometimes the electric bill
15 contains that information and sometimes it does not,
16 as there are multiple electric providers and not a
17 uniform bill format. Some are cooperatives and some
18 are investor-owned utilities.

19 Did I read that substantially correct?

20 A. Yes.

21 Q. You would agree with me that the source
22 document -- first of all, you'd agree with me that
23 Staff does review the source documents based on that
24 statement, correct?

25 A. Yes.

1 Q. And you would agree with me that the
2 source documents that are being provided to Staff are
3 not sufficient for Staff to make the recommendations
4 that it needs to; is that correct?

5 A. That's correct.

6 Q. And the -- am I correct in understanding
7 that your position in this case is based on the
8 inadequacy of the source documents that are being
9 provided to you by Confluence?

10 A. That's correct.

11 Q. Jumping around, could you turn to your
12 direct testimony. On page 16 you outline what the
13 requirements or the report that you were asking for
14 is; is that correct?

15 A. That's correct.

16 Q. Regarding that fourth bullet point, so
17 starting at line 13, why -- I want to ask as an open
18 question because I'm genuinely curious just I'm just
19 going to ask. Why is Staff seeking the phase?

20 A. Oh, about like the phase of the
21 electricity used for each system?

22 Q. Yeah.

23 A. We ask that information in case they have
24 a new equipment, like a new pump -- pump machine or
25 blower. And then based on that information, we can

1 properly or accurately -- accurately annualize the
2 electric expense. So I mean, if like the electric
3 rate change, we can use that current rate to annualize
4 the electric expense.

5 Q. So based on your response, you would
6 agree with me that the phase of the electricity would
7 have a direct cost impact?

8 A. Yes.

9 Q. Is the number of assets using electricity
10 expected to change frequently? Well, you would agree
11 with me that the number of assets using electricity in
12 a system would not change frequently?

13 A. That's correct.

14 Q. So you would agree with me that once the
15 Company prepares the report for a system with the
16 number of assets, it's highly unlikely that report
17 would need to change frequently on that issue?

18 A. That's correct.

19 Q. Would you agree with me that the
20 consolidation being requested by the Company would
21 minimize the need for the data that you're requesting?

22 A. I can't speak to that.

23 Q. You can't speak to that. Is that what
24 you said?

25 A. Yeah. Yeah.

1 Q. Fair enough. I don't think that your
2 testimony touched the general ledger. Am I correct on
3 that?

4 A. Yes.

5 Q. Then I will skip the general ledger
6 questions. You are not receiving sufficient
7 information to complete your audit based on what's in
8 the annual report alone; is that correct?

9 A. What do you mean by "the annual report
10 alone"? I don't --

11 Q. Well, let's start with you agree that the
12 Company files an annual report every year, correct?

13 A. That's -- I mean, I believe so.

14 Q. And would you agree with me that that
15 annual report does not supply the information that you
16 require related to, for example, electricity or
17 chemical expenses for you to complete your audit?

18 A. That's correct.

19 Q. So one last thing I've got. Turn back to
20 your surrebuttal, page six, lines 15 through 17. You
21 would agree with me that it reads: If more than one
22 year of a chemical is purchased, Staff does not know
23 over how many years to normalize that cost and Staff
24 does not know how much is used, how long a quantity --
25 and how long a quantity purchase lasts without the

1 historical information.

2 Would you agree that I read that
3 substantially correct?

4 A. Yeah, that's correct.

5 Q. And once again, you would agree with me
6 that that means that Staff is not receiving the
7 information it needs to properly perform its audit
8 based on what the Company is currently able to
9 provide?

10 A. That's correct.

11 Q. And once again, you would agree with me
12 that the basis of your recommendation is the lack of
13 the information that you are currently receiving in
14 those reports?

15 A. That's correct.

16 Q. I have no further questions at this time.
17 Thank you.

18 JUDGE HATCHER: Thank you.

19 And Mr. Woodsmall.

20 MR. WOODSMALL: Thank you, Your Honor.

21 CROSS-EXAMINATION BY MR. WOODSMALL:

22 Q. Let's just stick with electric report.

23 We've talked a lot about that. And I want to -- I
24 want to figure out what exactly you want. Okay?

25 Let's say we have a system. Have you heard of Terre

1 Du Lac?

2 A. Yes.

3 Q. You know the complexity of Terre Du Lac?

4 A. I don't know, but I know they have like
5 six -- I mean, look at the electric expense. You
6 have -- I think they have like six different provider
7 for the system.

8 Q. Six different providers?

9 A. Yes.

10 Q. For just this one system?

11 A. Yeah.

12 Q. Okay. And multiple different assets;
13 blowers and pumps and aerators and everything else.
14 Is that correct?

15 A. Yeah, that's correct.

16 Q. Okay. Just so I understand, let's say we
17 have an electric feed coming in from XYZ electric
18 provider. Okay? And it's coming in at three --
19 one -- one phase. Is -- that makes sense?

20 A. Yes.

21 Q. What are the different phases of
22 electricity?

23 A. I believe it's one and two or three.

24 Q. One, two or three?

25 A. Yeah.

1 Q. Okay.

2 A. I --

3 Q. You don't know though?

4 A. I mean, I'm not sure. But based on some
5 of the bills, I see like a phase 1 and a phase 3,
6 something like that. But I'm not sure.

7 Q. Okay. But you want that information?

8 A. Yes.

9 Q. Because what you're going to do is take
10 the number of phases, go to the electric provider's
11 tariffs, and try to price that out and determine if
12 the bill is correct?

13 A. No. That's not what we --

14 Q. Okay. So why do --

15 A. -- want to.

16 Q. -- you need the phases?

17 A. I mean, like I say, you know, if you guys
18 put in new equipment, like a new pump or new blower,
19 and then just looking at the history of the electric
20 expense, if that -- if the expense fluctuate a lot,
21 that can explain like there's something going on.

22 And based on the information, we can ask
23 the Company if they have like new equipment. So we
24 can base that information to annualize the electric
25 expense.

1 Q. Okay.

2 A. And like I said, if there is electric
3 price change, like a -- if there's change in electric
4 rates, we can also take that into consideration when
5 we are -- when we annualize the electric expense.

6 Q. Okay. So you are going to use the phase
7 so that you can check for rate increases and annualize
8 it; is that correct?

9 A. That's correct. If --

10 Q. Okay. That's all I needed. So -- so
11 you're not going to take this report at face value.
12 You're not going to take the invoice at face value.
13 You are then going to go to the phase for thousands of
14 different assets, price them out at the rate and then
15 calculate electric expense; is that correct?

16 A. I mean, that's not correct. Because I
17 said -- like I said, if we notice through the invo- --
18 the history of the electric expense, if we notice like
19 there's a lot of fluctuation, like up and down or the
20 costs -- or the costs just keep going up, I mean, that
21 can explain like, you know -- that can explain like
22 when the cost is going up.

23 So when we're going to propose like
24 annualize that cost, we might just take the -- like
25 the last known. But that just based on the history.

1 It's not like we just -- I mean, we can just take the
2 bill and reprice everything. I mean, we've attempt
3 concerning how to work on it. There's no way we can
4 do that. So that's not what we are asking for.

5 Q. Understand and I agree with you totally.
6 That at some point you're just going to take the
7 invoice at face value. That's all you can do; isn't
8 that correct?

9 A. I mean, that's some ways correct. But
10 what we have in this case, like we ask for the
11 electric invoices and there are so many invoices the
12 Company didn't provide to us in this case.

13 Q. You didn't know how to find them and you
14 didn't --

15 MS. KERR: Objection.

16 BY MR. WOODSMALL:

17 Q. -- ask how to find them; is that correct?

18 MS. KERR: Objection.

19 BY MR. WOODSMALL:

20 Q. Did you end up finding them?

21 MS. KERR: Badgering.

22 JUDGE HATCHER: Okay. Let's take a
23 break. What's your objection?

24 MS. KERR: Asked and answered

25 JUDGE HATCHER: What was your question?

1 MS. KERR: Badgering the witness.

2 MR. WOODSMALL: He was saying he didn't
3 get invoices. And I haven't even asked a question
4 about that till just now.

5 JUDGE HATCHER: And what's your specific
6 objection? What was asked and answered?

7 MS. KERR: I think he's asked this
8 question a few times already.

9 JUDGE HATCHER: I'm not sure. Go -- go
10 ahead, Mr. Woodsmall. Objection overruled.

11 BY MR. WOODSMALL:

12 Q. Okay. Well, let's just move onto
13 something else. Let's take -- let's say we have a
14 system as complex as Terre Du Lac with numerous lift
15 stations and pumps and blowers and aerators. Okay?

16 Let's say we have several different
17 pieces of equipment that come in at three phase. Can
18 you picture this? Comes into a meter at three phase.
19 Then it comes off and there's a transformer that
20 reduces it to single phase to go to multiple pieces of
21 equipment.

22 We get a bill for \$100 for that meter for
23 a month. How do you want us to break that down to
24 each individual asset and by phase?

25 A. I mean, nobody asked that information

1 though. It's not in my -- I mean, it's not in my
2 testimony. We didn't ask you guys to break that down
3 by phases in the testimony.

4 Q. Look at page 16 of your direct testimony,
5 line 17: And the phase of electricity used for each.
6 And -- and if you want to change your answer to
7 clarify what you're looking for in this report, we'd
8 love to hear it. Because this is where -- part of our
9 problem is the confusion.

10 A. You know, the reason why we ask that
11 in- -- we ask the information is because we didn't get
12 it in this case.

13 Q. I understand. But I'm trying to get at
14 what you want in this report.

15 A. What we want in the report is just a
16 general information. We just want, you know, the --
17 to keep the electricity bills and the -- the general
18 information, like the sys- -- the name of the system,
19 the system type, the name of the electric provider,
20 the -- the number of bill of each systems, the assets
21 that is receiving the -- the electric service.

22 Q. Exactly. And that's what I'm trying to
23 get at. We have an electric line coming into a meter.
24 That's three phase. And that serves ten different
25 assets. But it serves two assets at three phase,

1 comes through a transformer and serves the other eight
2 assets at single phase.

3 How do you want me to break down that
4 bill to tell you which assets it serves and at what
5 phase for each asset? Or if you want simply just what
6 is the electric bill for that month --

7 MS. KERR: Objection.

8 BY MR. WOODSMALL:

9 Q. -- much different.

10 MS. KERR: He's asked and ans- -- he's
11 asked this question like three times and he's gotten
12 an answer.

13 MR. WOODSMALL: I can't figure out how to
14 do this report he wants.

15 MS. KERR: He answered -- he's answered
16 the question. They want a general list.

17 MR. WOODSMALL: But he wants it by asset
18 and by phase and it's impossible to do.

19 MS. KERR: That's your argument. And his
20 answer --

21 MR. WOODSMALL: And that's what I'm
22 testing him on. I'm asking him how would you like us
23 to do this report?

24 JUDGE HATCHER: Okay. Mr. Amenthor was
25 in the middle of giving his answer when Mr. Woodsmall

1 interrupted with comments about phases.

2 Mr. Amenthor, you were stating that you
3 wanted -- and I'm going to read off your testimony
4 because that's what you were answering, if I was
5 listening correctly. You wanted the name of the
6 system, the system type, the name of the electric
7 provider, the number of bills at each water and
8 wastewater system, the type of asset receiving service
9 for each electric bill. And that's where you ended
10 off.

11 THE WITNESS: Yes.

12 JUDGE HATCHER: So did you --

13 MR. WOODSMALL: No -- I'm sorry.

14 JUDGE HATCHER: Did you have more answer
15 to that?

16 THE WITNESS: No.

17 BY MR. WOODSMALL:

18 Q. So you no longer need the phase? Because
19 he didn't include that.

20 A. You know, the phase information you're
21 talking about is on the bill. So once we get that
22 bill, that information is on -- it's on the bill.

23 Q. So you're going to go to the bill. You
24 don't need that in a report because you're going to
25 look at the bill anyway?

1 A. Yeah. We just need a bill. Because, you
2 know, we --

3 Q. Just -- okay. You just --

4 A. -- asked -- we ask the information in
5 this case. We didn't get that. The -- you know,
6 there's a ton of omission, electric invoices.

7 Q. So bottom line --

8 A. We didn't get --

9 Q. Bottom line, what you want is us to do a
10 better job of getting you the bills in the next case?

11 A. Yes. And also to keep --

12 Q. No further questions.

13 A. -- I mean to --

14 Q. Thank you.

15 JUDGE HATCHER: We'll move to Bench
16 questions. Are there any Commissioner questions?

17 QUESTIONS BY JUDGE HATCHER:

18 Q. The Bench does have a few questions.

19 Mr. Amenthor, can you finish your answer that you were
20 just giving to Mr. Woodsmall?

21 A. Okay. I was just going to add that since
22 Confluence is growing very quickly, they need to keep
23 that information so when we need it, they can provide
24 the information to us in future rate cases.

25 Q. Thank you. I do have a few other

1 questions for you. I'm going to reference your direct
2 testimony.

3 A. Okay.

4 Q. Page 12 and I'm looking at lines six
5 through eight, that sentence. I'm going to read the
6 sentence out loud for the record and for those in the
7 room. But Mr. Amenthor, my question is going to be:
8 Can you explain what you mean by the end of that
9 sentence where it says "this would be considered a
10 donation"?

11 Here is the full sentence, quote: Staff
12 reviewed electric invoices from October 2019 through
13 January 2023 and removed any late payment fees and
14 rounded up bill amounts as this would be considered a
15 donation.

16 Can you tell me, Mr. Amenthor, what you
17 mean by the end of that sentence?

18 A. Yeah. When we look at Confluence's bill,
19 there is a section that -- they have like they -- they
20 give like some type of a donation and a --

21 Q. Who? The customers or the Company is
22 giving the donation?

23 A. It's the -- it's the Company. It's when
24 you see that on the bill, there's a round up.

25 Q. Okay. So this is a similar situation

1 to -- I think McDonald's is very famous. They ask you
2 to round up. Other businesses, just local regular
3 businesses -- I mean, not monopoly ask you to round up
4 for donations.

5 And so Confluence bills has a similar
6 type of question to its customer: Do you want to
7 round up for such and such charity?

8 A. It's not question to customer, but it's
9 on the electric bill. So it's like maybe the electric
10 company just ask them like if they can round up. So
11 it's not invoices to like customers, but it's just
12 like invoices they are getting from their electric
13 providers.

14 Q. The bills --

15 A. From --

16 Q. -- from the --

17 A. -- electric providers --

18 Q. -- utility company's --

19 A. Yes.

20 Q. -- electric company?

21 A. Yeah.

22 Q. Okay. And Confluence has been rounding
23 up its electric bills?

24 A. Yes.

25 Q. My next question is page 13. This is

1 about the chemicals.

2 MR. WOODSMALL: Your Honor, direct or
3 surrebuttal?

4 JUDGE HATCHER: Direct, page 13.

5 MR. WOODSMALL: Thank you.

6 BY JUDGE HATCHER:

7 Q. And I'm looking for the sentence. Line
8 si6. Okay. I'm going to read the sentence and then
9 I'm going to ask the question. But I'm going to give
10 you the question first so you can think about it while
11 I'm reading for everybody else.

12 A. Okay.

13 Q. My question is, when the operators
14 purchase the chemicals, were you able to review the
15 invoice to reconcile the reimbursement requested by
16 the operator?

17 So let me go back to the sentence that
18 leads into that question. Line 6, page 13,
19 Mr. Amenthor's direct testimony, quote: During its
20 review process, Staff noticed missing quantities on
21 some invoices, such as when operators purchased the
22 chemicals and that some invoices had bulk quantities
23 of chemicals or total invoice amounts split between
24 multiple systems without any explanations or rationale
25 for how the amount was allocated.

1 So based on that sentence, Mr. Amenthor,
2 my question, were you able to reconcile the chemical
3 purchase and the reimbursement by the chemical
4 operator -- the reimbursement that was requested by
5 the operator?

6 A. That's not something asked specifically
7 when I look at chemical invoices. You know, I don't
8 look at reimbursement. How much they reimburse the
9 company, I don't look -- yeah.

10 Q. Were you able to track the chemical
11 purchases -- did you ever figure out how they
12 allocated the amounts that they did for the chemical
13 purchases?

14 A. No.

15 Q. Okay. My last question. In -- is it
16 your testimony that during your review of those
17 chemical invoices, that you found some invoices that
18 did not include a -- the specific quantity and type of
19 chemicals or where the chemical was delivered to?

20 I'm sorry. That was a really long
21 question. Do I need to rephrase that?

22 A. You know, during my review, we -- we see
23 the invoice, how much the purchase -- like of the
24 chemical, but we don't know how they used that
25 chemical. We don't know how often they buy that

1 chemical and we don't know, like, how they allocated
2 invoice total to multiple system.

3 So they don't have any track of like
4 their chemical usage. When we ask that information,
5 they say the Company doesn't track their chemical
6 use -- usage information.

7 So Staff was unable to accurately
8 annualize the chemical expense, because we don't have
9 any information about, like, how many quantity you
10 have to build in this case. Because we don't know how
11 they use it, how long they use it. We don't have
12 any -- any information on -- that kind of information.
13 So we didn't -- I mean, Staff wasn't able to
14 accurately annualize the chemical expense.

15 Q. Thank you. That ends the Bench
16 questions.

17 JUDGE HATCHER: Before I go to recross, I
18 want to point out to everyone it is a few minutes
19 after five o'clock. So if anyone needs to arrange
20 pick-ups for their offspring or arrange other meetings
21 with friends and family, this is going to be that
22 time.

23 Also, if any -- if anyone is unable to
24 stay after 5:00, please let me know. Madam Court
25 Reporter, are you doing okay? Awesome.

1 Let's go back to cross --
2 recross-examination. Mr. Clizer?

3 MR. CLIZER: No questions. Thank you,
4 Your Honor.

5 JUDGE HATCHER: Yeah, Mr. Woodsmall?

6 MR. WOODSMALL: No questions. Thank you.

7 JUDGE HATCHER: Thank you. And that
8 takes us to redirect.

9 MS. KERR: Thank you.

10 REDIRECT EXAMINATION BY MS. KERR:

11 Q. So would a report help you reconcile or
12 track that chemical purchase, for example?

13 A. Yeah. I mean, the -- the chemical usage
14 log will help us to know like how much chemical they
15 use at each system, how long they use that chemical.
16 And it also going to tell us if there is some chemical
17 that they may not use anymore.

18 So once it come to annualize that
19 chemical, we can accurately do that. So the
20 chemical -- we need that chemical log -- usage log
21 information to annualize the chemical expense.

22 Q. Is -- in your opinion, is that something
23 that a company should be doing on their own?

24 A. Yeah. I mean, it's a good business
25 practice to know how much chemical they use at each

1 system. That will help them to keep track of the
2 costs. That will now help them for their planning and
3 budgeting. So it's something they should be doing
4 anyway.

5 Q. Okay. And -- and would the same go for
6 the -- would the same go for the keeping track of the
7 electrical expense reports and the consumer billing?

8 A. I mean, the same goes to the electric
9 expense, but once when it come to the -- the
10 billing --

11 Q. Revenue reporting?

12 A. Yeah, hold on. Let me -- I mean, for the
13 billing issue what we have -- what we have in this
14 case is like they provide us with three different
15 format of billing -- billing report information. So
16 that making it hard on Staff to compile this data to
17 annualize the revenue accurately.

18 So they need to provide the billing
19 information the way Staff want it so that can, you
20 know, assist us in the next -- next rate case.

21 Q. Now, Mr. Woodsmall had asked you and gone
22 into a lot of detail about the elec- -- needing to
23 know about the electric phase. You're asking for the
24 phase -- electric phase for the electric account,
25 right?

1 A. I mean, we just -- we just looking for
2 the -- the general information, you know, about
3 electric bills.

4 Q. Okay.

5 A. If they can just provide the bill. And
6 on the bill, they have all the information. So it's
7 not like -- we are not asking the Company to log in
8 like phases, information from any type of -- you know,
9 the bill and give that info to us. That's not what we
10 are asking the Company.

11 Q. So you're asking it by electrical -- by
12 electric account?

13 A. Yeah. We just want them to provide that
14 information on -- I mean, each -- when you look at --
15 like on each bill, they have that -- the information
16 we are looking for. So it's not -- we just want them
17 to have it by electric accounts, but not to the
18 electric account the provider -- the assets who is
19 receiving the service.

20 Q. Okay. So you don't need to know it by
21 each specific asset, what phase it is?

22 A. We are not asking the phase information.

23 Q. Okay. And that's so you can know the
24 proper tariff rate to annualize it?

25 A. Yeah. I mean, like I say, if there is a

1 new equipment, if they have like a new machine, when
2 you look at an electric expense history, how that
3 price -- that expense fluctuates, based on that, we
4 can, you know, know how much we can put into the
5 rates.

6 Q. Okay.

7 A. So that's why --

8 Q. You said that -- I'm sorry.

9 A. That's why we need information for.

10 Q. Okay. And you said that information is
11 right there on the bill?

12 A. I mean, the problem we have, like I said,
13 in this case, they didn't provide those bills to us.
14 We asked them, we went through like informal
15 meeting -- weekly informal meeting with the Company to
16 get those invoices. They just said we're going to get
17 it to you. They never provide that information.

18 Q. Okay.

19 A. So that's the whole problem with, you
20 know, this issue -- the reporting issue is because
21 they never provide us the information.

22 Q. Okay. And as a company, they should be
23 getting this information?

24 A. I mean, they get a bill from their
25 provider, so they should have all the information.

1 And there -- you know, they log all this information
2 in their system, so it's something they should be able
3 to provide us.

4 Q. Okay.

5 A. So they didn't provide us in this case.
6 That's why.

7 Q. Okay.

8 MS. KERR: I don't have any other
9 questions.

10 JUDGE HATCHER: Thank you.

11 Mr. Amenthor -- Mr. Amenthor, you are
12 excused. I appreciate your testimony.

13 Staff, call your next witness. I believe
14 it is Ms. Dhority.

15 MR. STACEY: Staff calls Jane Dhority.

16 JUDGE HATCHER: Am I pronouncing that
17 correctly?

18 THE WITNESS: Dhority.

19 (Witness sworn.)

20 JUDGE HATCHER: Thank you. Please have a
21 seat.

22 Staff, your witness.

23 MR. STACEY: Thank you, Judge.

24 JANE DHORITY, being first duly sworn, testified as
25 follows:

1 DIRECT EXAMINATION BY MR. STACEY:

2 Q. Please state and spell your name for the
3 record.

4 A. My name is Jane C. Dhority, J-a-n-e, last
5 name is Dhority, D-h-o-r-i-t-y.

6 Q. And by whom are you employed?

7 A. The Missouri Public Service Commission.

8 Q. And what is your position there?

9 A. I'm a senior reg- -- senior regul- --
10 senior utility regulatory auditor.

11 Q. All right. Have you prepared and filed
12 testimony in this proceeding?

13 A. Yes, I have.

14 Q. Specifically direct testimony filed on
15 May 26th, 2023 set forth in Exhibit 103?

16 A. Yes, I have.

17 Q. And rebuttal testimony filed on
18 June 29th, 2023 and set forth in Exhibit Number 115?

19 A. That's correct.

20 Q. And finally, surrebuttal testimony filed
21 on July 21st, 2023, public and confidential, set forth
22 in Exhibit Number 125?

23 A. That's correct.

24 Q. Do you have any changes or corrections to
25 make to these documents set forth in Exhibits 103, 115

1 and 125?

2 A. I do not.

3 Q. If I were to ask you the same questions
4 in these documents today, would your answers be the
5 same?

6 A. They would.

7 Q. Are those questions and answers true and
8 correct, to the best of your knowledge and belief?

9 A. They are.

10 MR. STACEY: Your Honor, I offer State's
11 Exhibits 103, 115 and 125, public and confidential, to
12 be admitted into evidence.

13 JUDGE HATCHER: Thank you. Are there any
14 objections to the admission of Exhibit 103, 115 and
15 125?

16 No objections. They are so admitted onto
17 the hearing record.

18 (Exhibits 103, 115 and 125 were received
19 into evidence.)

20 MR. STACEY: Staff tenders Ms. Dhority
21 for cross-examination.

22 JUDGE HATCHER: And Mr. Clizer.

23 CROSS-EXAMINATION BY MR. CLIZER:

24 Q. Good evening, Ms. Dhority. Do you have a
25 copy of your surrebuttal testimony in front of you?

1 A. I do.

2 Q. Can you turn to page five for me?

3 A. I can.

4 Q. I'm going to read lines five through
5 nine. I want to make sure I'm reading correctly.
6 Collection lag report would include data --

7 THE COURT REPORTER: I'm sorry. You're
8 going to have to slow down.

9 MR. CLIZER: Much slower. Got it.
10 Trying to hustle.

11 BY MR. CLIZER:

12 Q. A collection lag report would include
13 data regarding how long it takes Confluence's
14 customers to pay their bills, which, in turn, helped
15 determine the timing of cash flow that is needed to
16 determine the revenue lag in a cash-working capital
17 lead-lag study.

18 In this case, Staff had to use a
19 surrogate collection lag as the Company did not have
20 the data Staff required to calculate Confluence's
21 collection lag.

22 Did I read that substantially correct?

23 A. You did.

24 Q. And am I understanding correct that the
25 reason you are requesting the information in the

1 report is to allow you to perform the collection part
2 of the lead-lag study --

3 A. Correct.

4 Q. -- in the future?

5 And just for the sake of everything, a
6 lead-lag study is a study designed to understand the
7 timing of payments and collections. Would you agree
8 with me on that?

9 A. A lead -- yes.

10 Q. And it's necessary to look at the timing
11 and collections over multiple months, over multiple
12 periods when performing such a study, correct?

13 A. Correct.

14 Q. And that is why you are requesting the
15 collection information over multiple months; is that
16 correct?

17 A. Correct.

18 Q. And as you say in this testimony, in this
19 case, the information that was provided by the Company
20 was not sufficient, correct?

21 A. Correct.

22 Q. And you had to resort to using surrogate
23 data, correct?

24 A. Correct.

25 Q. So again, just to finalize, the purpose

1 of your recommendation is to allow you to have the
2 data you need in future to complete this study without
3 having to rely on surrogate data. Do I have that
4 correct?

5 A. You do.

6 Q. You did not touch the general ledger?
7 That's --

8 A. No.

9 Q. -- Savor? Sarver?

10 A. Sarver, correct.

11 Q. Then I'm done.

12 JUDGE HATCHER: Mr. Woodsmall.

13 MR. WOODSMALL: Thank you, Your Honor.

14 I'll be very brief.

15 CROSS-EXAMINATION BY MR. WOODSMALL:

16 Q. Do you have your surrebuttal testimony in
17 front of you?

18 A. I still do.

19 Q. Okay. Page five, lines 11 through 13
20 roughly. And I'm not going to ask you to read it out
21 loud or anything. I just want some clarification. At
22 the very beginning of line 13 -- well, continuing back
23 to line 12: Once the report is set up, this report
24 can be updated intermittently.

25 Term is a little vague. How often do you

1 want this report updated?

2 A. It doesn't have --

3 Q. What do you mean by intermittently?

4 A. -- to be monthly.

5 Q. Monthly?

6 A. It does -- no, it does not have to be
7 monthly.

8 Q. So how often? What is intermittently
9 then?

10 A. Every --

11 Q. Quarterly?

12 A. That -- that would work.

13 Q. So quarterly would work. Okay. And --
14 and briefly, you say -- line 11: While Staff
15 recognizes that Confluence may incur additional time
16 and possibly costs.

17 Do you see that?

18 A. I do.

19 Q. And did you make any allowance in the
20 revenue requirement in this case for this additional
21 cost?

22 A. No.

23 Q. Okay. So if the Commission ordered that
24 imposed on Confluence River, Confluence River would
25 have to eat that cost until the next rate case?

1 A. Correct.

2 Q. Okay. So our profit level coming out of
3 this case would immediately be less because we're
4 incurring additional cost that's not in the revenue
5 requirement?

6 A. Correct.

7 Q. Okay. No further questions. Thank you.

8 JUDGE HATCHER: Thank you. And are there
9 any Commissioner questions for Ms. Dhority? Okay.

10 QUESTIONS BY JUDGE HATCHER:

11 Q. The Bench does have a few questions. On
12 page four of your surrebuttal, you had explained the
13 need for actual revenue or day-to-day collection
14 reports to understand the payment habits of customers.

15 A. Correct.

16 Q. Would these reports need to be separated
17 by rate class or rate district?

18 A. I don't know.

19 Q. Can you expand on that a little bit?

20 A. Yes. We would like to have it separated
21 like residential, non-residential.

22 Q. Okay.

23 A. Uh-huh.

24 Q. How would that -- why would Staff like it
25 separated in that manner?

1 A. It's all in -- so we can calculate the
2 collection lag for the lead-lag study, sufficient
3 detail.

4 Q. Do other utilities in Missouri maintain
5 this information?

6 A. They maintain information that we can use
7 to generate a collection lag. And Confluence does not
8 maintain that information.

9 Q. Is cash-working capital still an issue in
10 this case?

11 A. I don't believe so.

12 Q. On page nine of your surrebuttal, you
13 stated that the positive working capital requirement
14 is \$27,703?

15 A. Correct.

16 Q. That's line 14. Is that water and sewer
17 combined?

18 A. Yes.

19 Q. Okay. And then Mr. Thies's direct
20 testimony, and that's page 15 and 16. But that
21 indicated that using the 45-day convention, that
22 Confluence has calculated its positive water working
23 capital requirement to be 112,722 for water and for
24 sewer, \$186,385. Has -- here -- and I'm sorry. Long
25 set-up. Has Confluence accepted Staff's total Company

1 amount of 27,703?

2 A. I believe so.

3 Q. Okay.

4 JUDGE HATCHER: That is all the questions
5 from the Bench. But stay there. We have more. That
6 takes us to -- that takes us to -- we are getting
7 punchy late in the day. I apologize.

8 THE WITNESS: Fair enough.

9 JUDGE HATCHER: That takes us to
10 recross-examination and I believe -- yeah, Mr. Clizer.

11 MR. CLIZER: I have no questions though.
12 Thank you.

13 JUDGE HATCHER: Thank you.
14 Mr. Woodsmall.

15 MR. WOODSMALL: No questions, thank you.

16 JUDGE HATCHER: Thank you. And that
17 takes us to redirect.

18 MR. STACEY: I think I have just one
19 question, Judge.

20 REDIRECT EXAMINATION BY MR. STACEY:

21 Q. Do we know for sure that it would any
22 additional monies for them to do these reports?

23 A. We don't know that.

24 MR. STACEY: Okay. Nothing further,
25 Judge.

1 JUDGE HATCHER: Thank you. And,
2 Ms. Dhority, you are excused from the stand. I
3 appreciate you being here. I got everybody, right?
4 Yeah.

5 THE WITNESS: Uh-huh.

6 JUDGE HATCHER: Yes. Thank you.
7 Staff, your next witness I believe is
8 Ms. Sarver.

9 MR. STACEY: State calls Ashley Sarver.
10 (Witness sworn.)

11 JUDGE HATCHER: Thank you. Please have a
12 seat. Staff, your witness.

13 MR. STACEY: Thank you, Judge.

14 ASHLEY SARVER, being first duly sworn, testified as
15 follows:

16 DIRECT EXAMINATION BY MR. STACEY:

17 Q. Would you please state and spell your
18 name for the record?

19 A. Ashley Sarver, A-s-h-l-e-y, last name is
20 S-a-r-v-e-r.

21 Q. By whom are you employed?

22 A. Public Service Commission.

23 Q. And what is your position there?

24 A. Lead senior utility regulatory auditor.

25 Q. Have you prepared and filed testimony in

1 this proceeding?

2 A. Yes.

3 Q. Specifically, direct testimony filed on
4 May 26th, 2023, public and confidential, as set forth
5 in Exhibit 107?

6 A. Yes.

7 Q. Surrebuttal testimony filed on
8 July 21st, 2023, public and confidential, set forth in
9 Exhibit 131?

10 A. Yes.

11 Q. Now, do you have any changes or
12 corrections to make to those documents set forth in
13 Exhibits 107 or 131 respectively?

14 A. Yes, I do.

15 MR. WOODSMALL: Thank you.

16 MR. MITTEN: Thank you.

17 MR. CLIZER: Thank you, sir.

18 BY MR. STACEY:

19 Q. Now, I've handed you a document entitled
20 Staff Errata Sheet, Confidential premarked as
21 Exhibit -- or Staff's Exhibit 133. Does that include
22 your -- your changes --

23 A. Yes, it does.

24 Q. -- to your documents?

25 And specifically paragraph -- or number

1 three, Exhibit 107, which is your direct testimony; is
2 that correct?

3 A. Yes.

4 Q. Header on the title page. Delete
5 May 11th, 2023 and replace it with May 26th, 2023?

6 A. Yes.

7 Q. Okay. And then again, in number six,
8 Exhibit 131, your surrebuttal testimony, that should
9 say page five, lines 26 through 29. And you want to
10 delete: No. As Mr. Cox has shown on page 33 of his
11 rebuttal testimony, the corporate allocation for
12 Missouri is 7.99 percent. Therefore, 7.99 percent of
13 these executive salaries and benefits and recommend
14 for disallowance by Staff in this case, not
15 100 percent. The remainder of executive salaries and
16 benefits are recovered from other states in which CSWR
17 operates.

18 You want to remove that, correct?

19 A. Yes.

20 Q. And you want to replace it with: No.
21 Staff is removing the Missouri portion in the test
22 year for CSWR executive salaries and benefits. CSR
23 used an allocation percentage of 7.99 percent for
24 executive salaries. Therefore, if the Commission
25 accepts CSWR's allocation factor, CSWR can recover the

1 remaining 92.01 percent of executive salaries and
2 benefits from other states in which CSWR operates.

3 A. That is correct.

4 MR. STACEY: All right. Staff offers the
5 errata sheet as listed as Exhibit 133 into evidence,
6 which is to be used later for the other direct
7 testimonies of other Staff members, if you want to do
8 it that way.

9 JUDGE HATCHER: I haven't done this as an
10 exhibit.

11 MR. STACEY: That's fine. I just --

12 JUDGE HATCHER: Let's -- let's see where
13 we're at. I -- I don't think I have any issues with
14 this, but let's -- let's see where we're at first.

15 MR. STACEY: There is a part -- portion
16 on that that is confidential, and that's on paragraph
17 one.

18 JUDGE HATCHER: Yes. And I see that.
19 First, let's take Ms. Sarver's testimony. I'm pretty
20 sure I heard Mr. Stacey offer Exhibit 107 --

21 MR. STACEY: No, I have not yet.

22 JUDGE HATCHER: Okay.

23 MR. STACEY: But Staff offers State's --
24 or Staff's Exhibits 107 and 131, public and
25 confidential, will be admitted into evidence.

1 JUDGE HATCHER: Okay. Let's go ahead and
2 take just those two. I am not talking about the
3 errata sheet. Are there any objections to the
4 admission of Exhibit 107 or 131?

5 Hearing none, it is so admitted onto the
6 hearing record.

7 (Exhibits 107 and 131 were received into
8 evidence.)

9 JUDGE HATCHER: Next, we have offered
10 Exhibit 133. This is marked as the Staff Errata Sheet
11 Confidential and it is being offered as an exhibit.
12 Are there any objections or other commentary?

13 MR. WOODSMALL: No, Your Honor. We'll
14 get an opportunity to cross those other witnesses, so
15 I don't have any problem.

16 JUDGE HATCHER: Okay. No, then great.
17 Exhibit 133 is admitted onto the record as
18 Confidential Exhibit 133.

19 (Exhibit 133 Confidential was received
20 into evidence.)

21 JUDGE HATCHER: Mr. Stacey, your witness.

22 MR. STACEY: And Staff tenders Ms. Sarver
23 for cross-examination.

24 JUDGE HATCHER: Mr. Clizer.

25 CROSS-EXAMINATION BY MR. CLIZER:

1 Q. Good evening, Ms. Sarver.

2 A. Good evening.

3 Q. I apologize for mispronouncing your name
4 earlier, by the way. Do you have a copy of your
5 surrebuttal testimony?

6 A. Yes, I do.

7 Q. Can you turn to page 27? Let me know
8 when you're there.

9 A. Okay. I'm here.

10 Q. On page [sic] 9 through 13, there's two
11 sentences I'd like to read. Make sure that I'm
12 actually reading them correctly: Staff will be able
13 to monitor overall CSWR costs and how they change
14 through review of the CSWR general ledger, as well as
15 the amount eventually recorded in the Confluence
16 general ledger.

17 This allows Staff to see the entire
18 bucket of costs to be allocated at CSWR and the
19 portion that is recorded in the Confluence general
20 ledger as these should change as further acquisitions
21 are made, whether in Missouri or in other states.

22 Did I read that substantially correct?

23 A. Yes, you did.

24 Q. So let's just make sure some things are
25 clear for the record. CSWR in this -- I'm sure you

1 specified earlier, but that's Central States Water
2 Resources; is that accurate?

3 A. Yes.

4 Q. And because I think the Judge might want
5 me to, do you know whether that's CSWR, LLC or Central
6 States Water Resources, Inc.?

7 A. LLC.

8 Q. Okay. Thank you. So now back to the
9 actual substance. Based on this reading, am I correct
10 to understand that Staff had difficulty developing the
11 proper corporate allocation used in this case due to a
12 lack of information provided by Confluence Rivers?

13 A. We had to ask for several work papers to
14 come up with how they came up with their allocation,
15 but not really the allocation percentage.

16 Q. Is the information that you are
17 requesting benefic- -- you would agree -- am I correct
18 to understand that the information you are requesting
19 is meant to benefit the Staff in being able to develop
20 corporate allocation factors in the future?

21 A. Correct.

22 Q. And I'm not going to read it, but
23 starting at -- the paragraph starting at page 2
24 through 6, you discuss the rapid change in -- I'm
25 sorry. I'm still on page 27 of your surrebuttal, to

1 be clear. Again, lines 2 through 6. You discuss
2 the rapid change in the affiliate group of Confluence
3 Rivers?

4 A. Lines 2 through --

5 Q. Six.

6 A. It's coming from Josiah Cox's rebuttal.

7 Q. Fair enough. But the -- the issue at
8 hand is the rapid change in aff- -- in the affiliate
9 group of Confluence Rivers, correct?

10 A. Yes, that is correct.

11 Q. And that rapid change in -- am I correct
12 in understanding that that rapid change in affiliate
13 group is what is prompting Staff to request this
14 information on a quarterly basis?

15 A. That is correct.

16 Q. So by having this information on a
17 quarterly basis, Staff believes it will be better able
18 to understand the proper allocation of corporate
19 overhead costs from CSWR, LLC to Confluence Rivers in
20 future rate cases?

21 A. Yes.

22 Q. And I apologize. That was a long
23 question. But I'm pretty sure I'm done. Thank you.

24 JUDGE HATCHER: Mr. Woodsmall.

25 MR. WOODSMALL: Very briefly.

1 CROSS-EXAMINATION BY MR. WOODSMALL:

2 Q. I -- on the -- on the corporate
3 allocation report, first off, let's stop -- start at a
4 high level and work down. That the Staff did not take
5 exception with the formula that CSWR uses to allocate.
6 The formula; is that correct?

7 A. The method that is used we did not have a
8 problem with.

9 Q. Okay. The only problem was the
10 availability of data to calculate that on a quarterly
11 basis? Is -- is that the issue?

12 A. The -- just how the cost itself came down
13 to Missouri. It was hard to determine which one --
14 what the cost was that came down to Missouri just by
15 reviewing the general ledgers.

16 Q. Okay. Well, let -- let me back up. I
17 think I jumped ahead. So no issue with the formula.
18 The company updates the allocation factor quarterly;
19 is that correct?

20 A. Correct.

21 Q. And you don't have a problem with that
22 being updated quarterly. You're not asking --

23 A. Huh-uh.

24 Q. -- for it more frequently?

25 A. No, I'm not.

1 Q. Okay. So the allocation manual, the
2 allocation process is okay. You had some problems
3 seeing how it applies to the cost. Is that what
4 you're saying?

5 A. The corporate allocation sheet that you
6 keep talking about that you're supposed to do -- that
7 you guys do every quarter, that was fine.

8 Q. Okay.

9 A. I just want that like it is.

10 Q. Okay.

11 A. Then the general ledger, I would like to
12 have that too along with it.

13 Q. Okay. Now, the allocation report that's
14 calculated quarterly --

15 A. Uh-huh.

16 Q. -- you want that calculation to be given
17 to you in the future rate case?

18 A. Every quarter in the -- plus, in the
19 future rate case.

20 Q. Oh, you want it submitted between cases?

21 A. This one I do, yes. So we can mon- --
22 watch the acquisitions, since you guys are rapidly
23 growing, to watch what the allocation factor does.

24 Q. Okay. In this case you use the
25 allocation factor calculated as of December 31st. It

1 was the latest one that was done, correct?

2 A. Well, then I added South Carolina.

3 Q. Okay.

4 A. But yes.

5 Q. Okay. So you used the most latest -- the
6 latest calculation for the allocation factor; is that
7 correct?

8 A. Yes. In this case.

9 Q. Okay. So what happened historically was
10 disregarded in favor of the most recent number; is
11 that correct?

12 A. No, I wouldn't say that. The reason we
13 want it -- or I want it is to just watch the
14 allocation factor itself. Because obviously a couple
15 years ago, it was a lot higher than it is now.

16 Q. Uh-huh.

17 A. So if you guys don't come in for a rate
18 case for another three, five, ten years, then if the
19 allocation factor changes, then that would be a -- you
20 know, that could possibly be a problem.

21 Q. How would it be a problem?

22 A. I mean if the allocation factor drops
23 down to, you know, less than -- to unreas- -- I mean
24 to a lot less number, then that cost coming down to
25 Missouri customers.

1 Q. Isn't that good? Less money coming to
2 Missouri -- being charged to Missouri?

3 A. But the -- the number's still built in
4 rates is still the higher number.

5 Q. Okay. So how would you use this report
6 between cases? Is it just more curiosity to monitor
7 the Company?

8 A. No. It's more if we need to file a
9 complaint or something against the Company possibly.
10 Or if we have questions on it, we could ask you, you
11 know -- ask you guys what -- you know, questions about
12 it too.

13 Q. Okay. You mentioned a complaint. An
14 earnings complaint?

15 A. I mean, possibly.

16 Q. Okay. Do you realize the company
17 operates at a loss every quarter?

18 A. I'm not saying that that will be the
19 issue.

20 Q. So if it's not to determine the
21 possibility of an earnings complaint -- and given the
22 Company is operating at a loss I can't believe it's
23 that -- what is the purpose -- not in a future case.
24 Certainly willing to give it to you in a future case.
25 What is the purpose of the report between cases?

1 A. We were just -- want to make sure that
2 the allocation factor didn't dramatically change.

3 Q. And if it did, so what? If -- if we make
4 a lot of acquisitions in Texas, which reduces the
5 allocation in Missouri, if we're operating at a loss,
6 what's it matter to you?

7 A. Because if you're coming in at less -- I
8 mean, if you're just -- if you're coming in at, I
9 mean, like 3 percent, way less than your 7.99 that you
10 want, then we want to maybe have you guys come in for
11 maybe -- I don't know if we can suggest you guys come
12 in for a rate case or just ask.

13 Q. You might use this so you can ask the
14 Company to file a rate case?

15 A. No, we can't -- we can't ask you guys to.
16 But we can just -- I mean, it's just another form so
17 the customers won't get -- the customers are paying
18 their fair price.

19 Q. In conjunction with this, are you going
20 to look at increases in other costs to make -- to see
21 if there's offsetting factors?

22 A. Well --

23 Q. Or is this just going to be looked at in
24 a vacuum?

25 A. I would probably look at the three

1 factors that go into -- into it.

2 Q. Okay. Having trouble understanding the
3 value between rate cases, but I think I've gotten as
4 far as I'm going to go. Thank you.

5 A. Thank you.

6 JUDGE HATCHER: Thank you. Are there any
7 Commissioner questions for Ms. Sarver?

8 QUESTIONS BY JUDGE HATCHER:

9 Q. Okay. Hearing none, the Bench does have
10 a couple questions. You do not need to reference your
11 testimony. However, my question's going to reference
12 your testimony so that everyone listening can follow
13 along.

14 Your direct testimony, schedule one,
15 which talks about your experience and your case
16 participation, that schedule indicates that you were
17 responsible for the chemical expense issue in the last
18 three Missouri American Water Company rate cases. Is
19 that correct?

20 A. That is correct.

21 Q. Second question, is the reporting of
22 chemical expenses that Staff is recommending, and we
23 heard Mr. Amenthor testify about that, is what Staff
24 is recommending for the chemical expenses different
25 than what is required or provided by Missouri

1 American?

2 A. No. Missouri American, the information
3 that they provided was sufficient enough to do the
4 audit.

5 Q. Did they break down their chemical
6 expenses by system portions? Did they track the
7 chemicals by how often they purchased? I'm trying to
8 think of some of the other items that Mr. Amenthor
9 mentioned in his testimony. But he mentioned a lot of
10 that tracking of the chemicals so that the cost could
11 be associated at a later time with each system.

12 Now, I understand that Confluence is
13 talking about 60-plus systems that are separate right
14 now, but Missouri American is -- is tracking something
15 similar, are they not?

16 A. Yes, they are.

17 Q. Can you explain a little bit further
18 about how Missouri American is tracking their
19 chemicals?

20 A. From what I remember -- I'm trying to
21 think of what my work paper looked like. They had it
22 by the -- they had it broke down even by the system
23 that they have. And then they had the quan- -- the
24 quantity of it, the pounds -- if it's tons or by
25 pounds, they had the number -- like how many of

1 that -- I don't know if they -- they broke it down by
2 month, I believe.

3 Q. And when you say by system, Missouri
4 American Water, in my mind, is -- is one large system.
5 Are you referencing like the legacy systems? Kind of
6 like if -- if we would look ahead to Confluence, their
7 request would be that we have one consolidated rate
8 and we might be looking or calling these their legacy
9 systems. Is that how Missouri American was tracking
10 it when you say system?

11 A. Yes. Whenever I reviewed it, I actually
12 was able to identify which location the chemical went
13 to.

14 Q. Okay. Thank you. I -- my verbiage fails
15 me.

16 JUDGE HATCHER: That is all the questions
17 I have. But that does take us to recross.

18 Mr. Clizer.

19 RE-CROSS-EXAMINATION BY MR. CLIZER:

20 Q. Very briefly because you were asked
21 questions regarding the chemical situation. My
22 understanding from Mr. Amenthor's testimony -- yes,
23 Mr. Amenthor's testimony was that he did chemical
24 usage. Did MAWC break down or provide information on
25 chemical usage?

1 A. From what I can remember, they did.

2 Q. Okay.

3 MR. CLIZER: That was my only question.

4 Thank you.

5 JUDGE HATCHER: Thank you. And that
6 takes us to the Company.

7 MR. WOODSMALL: No questions. Thank you.

8 JUDGE HATCHER: Thank you. That takes us
9 to redirect.

10 MR. STACEY: All right. Thank you,
11 Judge.

12 REDIRECT EXAMINATION BY MR. STACEY:

13 Q. You're asking for the general ledger for
14 Confluence and CSWR; is that right?

15 A. That is correct.

16 Q. And they already do that; is that
17 correct?

18 A. That is correct.

19 Q. And you want that on a quarterly basis?

20 A. Yes.

21 Q. Now, do you expect them to have any
22 additional cost by doing that?

23 A. No.

24 Q. Did you ask Confluence to hire someone to
25 do reports to allege -- to make your job easier?

1 A. No.

2 Q. All right. You mentioned about using
3 that information to file a -- in filing a complaint.
4 What would Staff look at in filing a complaint? Would
5 it only be the allocation factors?

6 A. No. The general ledger would help us
7 out. But that's not our -- I mean, the general ledger
8 would help us out. Maybe you want -- we're not
9 wanting this information to file a complaint on them.
10 We want the information for information for us to
11 have.

12 Q. And why is it important to know the
13 allocation factors?

14 A. Just to see if it would drop or if it
15 would increase perhaps, either direction.

16 Q. Is it important to ratepayers?

17 A. Yes.

18 Q. Isn't it true that -- or would you look
19 at more than just the allocation factors if -- you
20 would look at everything if there was a complaint
21 actually filed?

22 A. Oh, for sure, yes.

23 MR. STACEY: Okay. Nothing further,
24 Judge.

25 JUDGE HATCHER: Thank you. Ms. Sarver,

1 you are excused. I appreciate your being here to
2 testify today.

3 Let's take a minute to do a quick status
4 check. First, counsel, are we coming back in at
5 9:00 a.m. tomorrow?

6 MR. WOODSMALL: We haven't had an
7 opportunity to talk any more. We were going to do
8 that when we ended up doing this. Not to be crass,
9 but -- so I believe given the number of issues that
10 have been announced are settled that we need to
11 document, as I mentioned, I think we have a resolution
12 certainly with Public Counsel. We need to get Staff's
13 buy-off on two additional issues.

14 I -- I think we've taken a lot of
15 pressure off the schedule. I think we're not talking
16 about going long. We're talking about shortening the
17 case. I would prefer to give us opportunity to meet
18 in the morning to see if we can nail down further
19 settlement and get a status report on that.

20 I would like for us to meet at 9:00. Can
21 we give you a status report at 10:30?

22 JUDGE HATCHER: And what would be your
23 vision then for when we reconvene?

24 MR. WOODSMALL: Net -- Net Operating
25 Losses. If we need to reconvene, that's where we

1 would start.

2 JUDGE HATCHER: Okay. That's issue --
3 what I have as number four, Income Taxes.

4 MR. WOODSMALL: I'm sorry. Yeah. I'm
5 sorry. Yeah.

6 JUDGE HATCHER: Okay. And do you want --
7 meet at 9:00.

8 MR. WOODSMALL: We will meet at 9:00.

9 JUDGE HATCHER: Oh, yeah. Not me. You
10 guys meet at 9:00. 10:30-ish e-mail me, hey, we're
11 doing great or we're not.

12 Are we then talking about coming back
13 into the courtroom at 1:00?

14 MR. CLIZER: I would prefer much earlier.

15 MR. WOODSMALL: Yeah. I -- I -- I would
16 hope that -- we may let you know at ten o'clock saying
17 it's not going well, we're going to start the hearing
18 with Income Taxes at 10:30.

19 MR. CLIZER: I -- I --

20 MR. WOODSMALL: Ten o'clock.
21 Ten o'clock.

22 MR. CLIZER: I would concur. I think
23 that we can probably tell you by at least 10:00
24 whether or not we need to take up Income Taxes that
25 day. And if we do, I think we could probably start it

1 by at least 10:30 or --

2 MR. STACEY: Staff concurs.

3 JUDGE HATCHER: Okay. And just to make
4 sure, because I'm going to get asked as well, if we
5 finish taxes -- Income Taxes, if you all take it off
6 of the table, are we then following the amended
7 schedule; i.e., Rate Design District Consolidation?

8 MR. WOODSMALL: Yes, Your Honor.

9 JUDGE HATCHER: And then Acquisition
10 Related Costs?

11 MR. WOODSMALL: Correct.

12 JUDGE HATCHER: And I can't see us going
13 too much further on Friday, but Time Sheets if we get
14 there.

15 Okay. So let us set a time for 10:30,
16 the Judge asks, question mark?

17 MR. WOODSMALL: You will have an update
18 before 10:30.

19 MR. CLIZER: But yes, we should set a
20 time for 10:30.

21 JUDGE HATCHER: Yeah. Let's -- let's --
22 I like to set a permanent time, make sure everybody is
23 ready to go and then we can figure out if we need more
24 or less -- not less. 10:30. No objections?

25 MR. STACEY: No objection.

1 JUDGE HATCHER: Last call. Excellent.

2 Let us adjourn until 10:30 tomorrow morning.

3 Thank you all for your patience, for your
4 staying late, especially our technical staff and court
5 reporter. This was unplanned and I really appreciate
6 that. Thank you all. We're off the record.

7 (Whereupon, the proceedings were
8 concluded at 5:56 p.m.)

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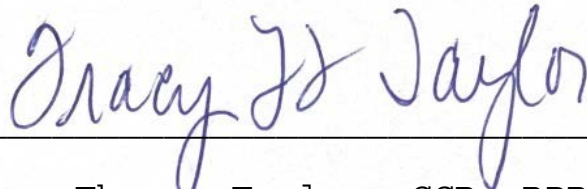
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1 CERTIFICATE OF REPORTER

2
3 I, Tracy Thorpe Taylor, CCR No. 939, within the
4 State of Missouri, do hereby certify that the
5 testimony appearing in the foregoing matter was duly
6 sworn by me; that the testimony of said witnesses was
7 taken by me to the best of my ability and thereafter
8 reduced to typewriting under my direction; that I am
9 neither counsel for, related to, nor employed by any
10 of the parties to the action in which this matter was
11 taken, and further, that I am not a relative or
12 employee of any attorney or counsel employed by the
13 parties thereto, nor financially or otherwise
14 interested in the outcome of the action.

15 

16 _____
17 Tracy Thorpe Taylor, CCR, RPR
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