

grant it a certificate of convenience and necessity to own and operate those water and sewer assets.

2. The details of Staff's investigation of this Application are stated in Staff's Memorandum, attached as Appendix A.

3. Staff concludes that the transfer of assets from Brandco to Hillcrest is in the public interest, assuming Staff's recommended conditions are imposed, because Brandco is no longer able to maintain its facilities and safe and adequate customer service is jeopardized; and because Hillcrest has adequate technical, managerial, and financial capacity to operate, maintain, and improve the facilities and service to customers.

4. Staff recommends that the Commission issue an order that:

- a. Approves the sale of water and sewer assets, under conditions as described within this memorandum;
- b. Immediately grants Hillcrest a CCN to provide water and sewer service in Brandco's existing service area, to be exercised upon closing of assets;
- c. Prohibits Hillcrest from closing on assets or operating as a water and/or sewer utility unless it has operation, billing, and emergency answering arrangements (contracts) that can be in place and exercised immediately upon closing;
- d. Requires Hillcrest to notify the Commission of closing of the assets within five (5) days after such closing;

- e. Authorize Brandco to cease providing service immediately after closing of the assets, then after closing and notification of such as contemplated in No. 4, above, cancel the CCN currently issued to Brandco for water and sewer service;
- f. If closing does not take place within thirty (30) days following the effective date of the Commission's order, requires Hillcrest to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Hillcrest determines that a sale will not occur;
- g. If Hillcrest determines that a sale will not occur, requires Hillcrest to notify the Commission of such, after which time the Commission may cancel, or deem null and void, the CCN issued to Hillcrest;
- h. Authorizes Hillcrest to operate using Brandco's existing tariffs, on an interim basis, immediately after closing of assets but before the effective date of such tariff adoption notice sheets;
- i. Requires Hillcrest to file tariff adoption notice sheets for Brandco's water and sewer tariffs within thirty (30) days after closing of assets, to adopt existing rules, rates and service charges;
- j. Authorizes Hillcrest to utilize depreciation rates that are currently approved for Brandco, as shown in Attachments B and C;

- k. Requires Hillcrest to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- l. Requires Hillcrest to keep operations records including those for customer complaints/inquiries, meter placement and replacement/testing, vehicle, equipment and telephone use records, and customer account records;
- m. Requires Hillcrest to comply with all Commission Rules including the filing of the annual report and keeping current on the Commission's assessments;
- n. Requires either Brandco or Hillcrest, as the parties may be able to agree upon, to pay the past due assessments in the amount of \$7,299.92;
- o. Makes no finding of the value of this transaction for rate making purposes, specifically as it relates to the **____** interest rate assigned to the debt, but also to other elements, including, but not limited to, the capital structure; and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions, and their effect on cost of capital, in any later proceeding;
- p. Authorizes Hillcrest to collateralize only up to \$790,000 of its assets to issue secured debt;

- q. Requires Hillcrest to maintain certain minimum financial covenants. If the debt service coverage ratio should fall below 1.50 times or the Debt/EBITDA ratio exceeds 5.00 times, Hillcrest must cure the violation of these covenants by making additional equity contributions and/or reducing the amount of debt at no cost to the ratepayer;
- r. Requires Hillcrest Utility Operating Company, Inc. ** _____

_____** to provide Staff access, upon reasonable written notice during normal working hours, to all books and records related to investments in Missouri regulated utility assets. The access to information shall include, but not be limited to information provided to or received from the proposed debt investor, Fresh Start Ventures, LLC.
- s. In the event of default on the Hillcrest Utility Operating Company, Inc. loan, requires Fresh Start Ventures, LLC to file a written plan with the Commission on how it will ensure continued funding necessary to maintain safe and adequate service for the Hillcrest Utility Operating Company, Inc. system customers; and,
- t. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the subject Certificate, including

expenditures related to the certificated service area, in any later proceeding.

WHEREFORE, Staff files this *Recommendation to Conditionally Approve the Transfer of Assets, and Issuance of a Certificate of Convenience and Necessity* and requests the Commission conditionally approve the transfer of assets as requested, with the conditions as described in Staff's *Memorandum*.

Respectfully submitted,

/s/ Alexander Antal
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served to all counsel of record by hand delivery, electronic mail or First Class United States Mail this 26th day of August, 2014.

/s/ Alexander Antal