

In the Matter of:

The Application of Confluence Rivers Utility Operating Company

WM-2018-0116

January 24, 2019



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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

January 24, 2019

Jefferson City, Missouri

Volume 2

In The Matter Of The Application)
Of Confluence Rivers Utility)
Operating Company, Inc. To Acquire)
Certain Water And Sewer Assets, For) File No.
A Certificate of Convenience and) WM-2018-0116
Necessity, And, In Connection)
Therewith, To Issue Indebtedness)
And Encumber Assets)

PAUL T. GRAHAM, Presiding
REGULATORY LAW JUDGE

RYAN A. SILVEY, Chairman
DANIEL Y. HALL
COMMISSIONERS

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P R O C E E D I N G S

1
2 JUDGE GRAHAM: I've got ten o'clock. We're
3 going to go on the record now In The Matter Of The
4 Application Of Confluence Rivers Utility Operating
5 Company, Inc. To Acquire Certain Water And Sewer Assets,
6 For A Certificate Of Convenience And Necessity, And, In
7 Connection Therewith, To Issue Indebtedness And Encumber
8 Assets. This is File No. WM-2018-0116, which was
9 consolidated with SM-2018-0116. We're taking both up on
10 the record today.

11 On an order -- well, it's for a hearing on
12 whether the Commission is going to approve a Unanimous
13 Stipulation and Agreement that was filed by the parties
14 on December 14, 2018. I'm Paul Graham, the Regulatory
15 Law Judge in this matter. First thing I'm going to ask
16 is that the parties enter their appearance or the
17 attorneys that are going to be involved enter their
18 appearance, please. The attorney for Confluence Rivers?

19 MR. COOPER: Yes, Your Honor. Dean Cooper
20 from the law firm of Brydon, Swearngen and England, PC,
21 appearing on behalf of Confluence Rivers Utility
22 Operating Company, Inc., and the court reporter has the
23 address.

24 JUDGE GRAHAM: Thank you, Mr. Cooper.
25 Missouri Public Service Commission Staff?

1 MS. PAYNE: Thank you, Your Honor. Whitney
2 Payne and Mark Johnson on behalf of the Staff of
3 Missouri Public Service Commission.

4 JUDGE GRAHAM: Thank you, Ms. Payne. The
5 Office of the Public Counsel?

6 MR. SMITH: Good morning, Judge. Good
7 morning, Commissioners. Ryan Smith on behalf of the
8 Office of the Public Counsel. The court reporter is
9 familiar with my information.

10 JUDGE GRAHAM: Thank you very much. Are there
11 any other appearances this morning?

12 MR. LINTON: Yes, Your Honor. David Linton on
13 behalf of the Lake Perry Lot Owners' Association with
14 the law firm of McCarthy, Leonard & Kaemmerer, 825
15 Maryville Centre Drive, Town and Country, Missouri.

16 JUDGE GRAHAM: Thank you, Mr. Linton. I'm
17 sorry I didn't call you out. I wasn't sure given the
18 terms of this settlement whether you'd be here. Thank
19 you very much for your appearance.

20 I heard a little discussion before we began
21 the hearing about perhaps some exhibits. So let me put
22 out there my usual cautionary on this. In reviewing
23 this file, I don't know necessarily why this come up,
24 but if there is any confidential information, we are
25 streaming to the public, as you know; and if there's

1 anything that you intend to present today that you would
2 consider be confidential, I will put it on you to flag
3 me on it. I won't see it coming. You will. And so if
4 you think that it needs to be protected in some sense,
5 please give me a heads up on that, ask me to do whatever
6 it is you want me to do and we'll take care of that at
7 that time.

8 This being a hearing basically on whether the
9 Commission is going to approve this settlement, we can
10 proceed at this point as the Commissioners sitting here
11 with me as we would like to proceed or otherwise if
12 nothing else is said at this point I'm going to ask the
13 attorney for Confluence Rivers to proceed with a
14 presentation on this stipulation. Hearing nothing from
15 the Commissioners, why don't we go ahead and hear from
16 the attorney for the applicant here, Confluence Rivers.

17 MR. COOPER: Thank you, Judge. Very briefly.
18 As you stated previously, we're here today to talk about
19 a Unanimous Stipulation that's been agreed to and filed
20 by the parties in this case. That stipulation would
21 allow Confluence Rivers to acquire and operate nine
22 water and nine sewer systems that would be purchased
23 essentially from 11 different companies. It both would
24 provide authority for the transfer of those assets where
25 the companies are existing regulated entities. It

1 provides for Certificates of Convenience and Necessity
2 in the instances where the systems are not currently
3 regulated by this Commission.

4 Along with that stipulation, the Company would
5 withdraw its financing application that was originally a
6 part of its application in this case. It would also
7 withdraw its application that was a part of this to
8 acquire the Port Perry systems, and you may be familiar
9 with it. It's mentioned in the stipulation that
10 previously one of the applications discussed an entity
11 by the name of Wolf Creek Crossing. Prior to the filing
12 of this stipulation, the Company had confirmed its
13 withdrawal of -- its request for that system or to
14 purchase those assets.

15 I believe the standards for the Commission
16 differ somewhat amongst those different transactions.
17 As to the transfer of assets, I believe the Commission
18 standard is is it not detrimental to the public
19 interest. I think as to the three certificate matters
20 the question is is it necessary and convenient to the
21 public interest. The stipulation addresses those
22 standards as appropriate specifically on a
23 system-by-system basis within that.

24 I think for the time being that's all I have
25 for you, Your Honor.

1 JUDGE GRAHAM: Thank you. Before we go a step
2 further even, I need to make a correction in the
3 recitations that I made at the beginning of this case.
4 The case that the WM case has been consolidated with is
5 SM-2018-0117, not 0116 as I said earlier. With that
6 correction, do the Commissioners have any questions at
7 this point of counsel?

8 CHAIRMAN SILVEY: I do. Thank you. Good
9 morning. Can you walk me through the ownership
10 structure of Confluence Rivers?

11 MR. COOPER: Yes. It's very similar to I
12 guess some of the other utilities that are currently
13 regulated by the Commission. Confluence Rivers Utility
14 Operating Company, Inc. has a parent, Confluence Rivers
15 Holding Company, Inc. I believe, although that may not
16 be quite the exact name.

17 The parent of that company is First Round,
18 LLC, and First Round, LLC as was a part of a notice we
19 filed in the Elm Hills case is owned by an entity by the
20 name of US Water Systems, LLC, and that was an entity
21 that was formed by Sciens -- let me get the name here --
22 Sciens Capital Management, LLC.

23 CHAIRMAN SILVEY: Who owns those entities? I
24 mean, you just named a bunch of other companies.

25 MR. COOPER: Right. US Water Systems, LLC,

1 like I said, is the owner of the ultimate parent of
2 these entities and it is owned by primarily Sciens
3 Capital Management, which is an investment entity.

4 CHAIRMAN SILVEY: Is Sciens like a hedge fund?

5 MR. COOPER: Let me pass that to Mr. Cox to
6 ask that. I don't know whether I would call it a hedge
7 fund or not. He'll have a better -- a more accurate
8 answer for me.

9 JUDGE GRAHAM: Excuse me. Mr. Cox speaking,
10 is he an attorney or is he going to be a witness?

11 MR. COOPER: He is not. He would probably
12 need to be sworn in this instance, Your Honor.

13 JUDGE GRAHAM: We should probably swear him.
14 Why don't you go up to the witness stand. We'll
15 administer the oath and let counsel go ahead. This is
16 Mr. Cox? When he gets up here, we'll take his name.
17 Mr. Cox, would you state your full name and then we'll
18 administer the oath.

19 THE WITNESS: My name is Josiah Cox. Our
20 address is 500 Northwest Plaza Drive, Suite 500, St.
21 Ann, Missouri 63074.

22 JUDGE GRAHAM: And if you'll raise your right
23 hand.

24 (Witness sworn.)

25 JOSIAH COX,

1 called as a witness, being sworn, testified as follows:

2 JUDGE GRAHAM: Go ahead and take your seat.
3 I'll just ask a couple of questions and then turn you
4 over to your counsel. What is your position?

5 THE WITNESS: I'm the President of Central
6 States Water Resources, which is the managing entity of
7 First Round CSWR, LLC, which is the holding company for
8 all the utilities inside our family of companies.

9 JUDGE GRAHAM: Thank you very much. Counsel,
10 do you want to proceed?

11 MR. COOPER: Certainly, Your Honor.

12 QUESTIONS BY MR. COOPER:

13 Q. Mr. Cox, you heard the Chairman's question, I
14 believe, about the nature of Sciens Capital Management,
15 LLC. Do you want to go ahead and provide an answer to
16 that question?

17 A. Yes. So Sciens is a multifaceted New York
18 investment firm. They are a real assets private equity
19 firm is what I would classify them as.

20 JUDGE GRAHAM: Does that answer your question?

21 CHAIRMAN SILVEY: I'll have some more
22 questions.

23 JUDGE GRAHAM: Okay. Go ahead. Proceed.

24 QUESTIONS BY CHAIRMAN SILVEY:

25 Q. So then I take it you will be maintaining

1 involvement with Confluence Rivers?

2 A. Yes, sir.

3 Q. You're the one that will be operating?

4 A. Yes, sir, that is correct.

5 Q. So then what exactly will your job title and
6 responsibilities be?

7 A. I continue to be president of the company and
8 I continue to be the managing member of the company as
9 well.

10 CHAIRMAN SILVEY: Okay. I think that's all I
11 have for now.

12 JUDGE GRAHAM: Thank you. Commissioner Hall,
13 do you have questions for this witness?

14 COMMISSIONER HALL: I have questions for
15 counsel.

16 CHAIRMAN SILVEY: I think my remaining
17 questions are for counsel as well.

18 COMMISSIONER HALL: I might have some
19 depending on responses.

20 JUDGE GRAHAM: Why don't you just remain
21 seated there --

22 THE WITNESS: Yes, sir.

23 JUDGE GRAHAM: -- and Commissioner Hall, we'll
24 just take it --

25 COMMISSIONER HALL: Do you have more questions

1 for counsel?

2 CHAIRMAN SILVEY: Yeah, if you don't mind. So
3 where is US Water Systems registered?

4 MR. COOPER: Good question. Mr. Cox, is that
5 a Missouri corporation or is it registered in another
6 state?

7 THE WITNESS: A Delaware corporation, sir.

8 BY CHAIRMAN SILVEY:

9 Q. How long has it been in existence?

10 A. US Water Systems was created as an investment
11 vehicle by Sciens Capital Management in order to
12 purchase Central States Water Resources. So it's a new
13 investment vehicle entity.

14 Q. So months?

15 A. Correct, that is correct, sir.

16 Q. Does it currently operate any systems or is it
17 specifically created just for this instance right now?

18 A. It was specifically created for Central States
19 Water Resources.

20 Q. Okay. On paragraph 7 of the agreement titled
21 Financial Ability, it states that Confluence Rivers
22 represents to the parties that the new ownership
23 structure should facilitate a move to a 50-50 mix of
24 equity and debt, debt financing at a lower cost than the
25 initial application and debt financing with debt

1 instrument without a make whole penalty. Is Confluence
2 Rivers promising that any debt instrument will not have
3 a make whole penalty?

4 A. That is correct, yes, sir.

5 Q. Okay. And what efforts have already been made
6 to seek funding?

7 A. We continue to go out to traditional capital
8 markets. So we've been introduced to more banks. So
9 we're now -- We've moved just beyond Missouri banks to
10 continue to try and secure financing.

11 Q. So are there any commitments to look for
12 funding not through an affiliate?

13 A. Absolutely, sir. We continue to go look for
14 financing capital markets wherever we can find it.

15 Q. Does Confluence Rivers foresee any way in
16 which it would obtain financing without first coming to
17 the Commission for approval?

18 MR. COOPER: Let me answer that. Currently
19 what would be contemplated would be a financing
20 application with the Commission, and I think that's
21 going to be necessary no matter what the form. The
22 operating company in this situation, Confluence Rivers
23 Utility Operating Company, Inc., is a Missouri chartered
24 entity. I think as a result of that the Commission has
25 to approve -- always has to approve financings that

1 encumber the utility assets but because it's a Missouri
2 entity the Commission would also have to approve any
3 financing even if it didn't encumber these Missouri
4 assets. I believe the answer to your question is that
5 certainly would not foresee a situation where there
6 would be financing for Confluence Rivers without the
7 Company coming back to the Commission for permission and
8 approval.

9 CHAIRMAN SILVEY: Is that a commitment to come
10 back to the Commission?

11 MR. COOPER: Is that a commitment? I think
12 so. Personally I don't see a way that it could be done
13 without coming back to the Commission.

14 CHAIRMAN SILVEY: When does the Company expect
15 to complete closing on all the various water and sewer
16 systems?

17 MR. COOPER: Well, as I mentioned, there are
18 several so it would take a little bit of time. Would it
19 be -- Well, it depends on the Commission's order in the
20 first instance. Let me start with that. They can't
21 close on any until they had an order of approval and
22 until that order of approval became effective. So
23 obviously we've got some time in the best scenario
24 before that would get there. Given that, probably late
25 February at the earliest and into March probably more

1 likely.

2 CHAIRMAN SILVEY: Okay. Have the customers
3 received any type of notice?

4 MR. COOPER: They did at the beginning of the
5 process, yes.

6 CHAIRMAN SILVEY: If the agreement is approved
7 by the Commission, what is the Company's timeline for
8 filing a rate case?

9 MR. COOPER: Good question. We've actually
10 talked about various approaches to that, and
11 historically with the other systems that the Company has
12 worked with the first rate case has not come until
13 really all the improvements have been constructed.
14 We've had some conversations, I don't think I'm
15 revealing anything out of turn, with Staff and OPC that
16 would at least lend themselves to consideration to maybe
17 a different process because of the fact that
18 historically if you come in for your first rate case
19 after all improvements have been completed it's almost
20 necessarily a fairly significant increase that's called
21 for.

22 So long way of saying I don't think I can
23 commit to a certain time period. There's nothing that
24 right now would say that they would be in on any date
25 certain. In terms of those improvements, the majority

1 of them would not get done in this situation. I'll ask
2 Mr. Cox to jump in and correct me if I'm wrong here, but
3 the majority of them would not get completed in this
4 situation until after the Company had come back for its
5 financing case that we talked about previously.

6 CHAIRMAN SILVEY: That's all the questions I
7 have for now, Judge.

8 JUDGE GRAHAM: Thank you, Mr. Chairman.
9 Commissioner Hall?

10 COMMISSIONER HALL: Let me start with a
11 question for counsel, and I'm going to focus in on the
12 same paragraph that the Chairman did, which is paragraph
13 7 of the Unanimous Stipulation. What is the legal
14 significance of that provision?

15 MR. COOPER: The legal significance for me was
16 that I couldn't get a stipulation signed without adding
17 it to the document. But having said that, we certainly
18 believe that all those things are true.

19 COMMISSIONER HALL: In essence, is that the
20 Company's representation that it will attempt to do
21 these things?

22 MR. COOPER: I think that at a minimum it is
23 that, yes.

24 COMMISSIONER HALL: And so if the Company
25 fails to do any of these things, is that a breach of

1 this agreement or would the Company's position be we
2 tried so it's not a breach?

3 MR. COOPER: Well, I think there would be the
4 opportunity to present circumstances if there were
5 changed circumstances, and to me in a changed
6 circumstance situation it wouldn't be a breach. Now,
7 having said that, none of these statements were made
8 casually. They are all certainly statements and
9 positions that the Company believes -- not only believe
10 they will attempt, believes that it will deliver.

11 COMMISSIONER HALL: What is meant by "its new
12 ownership structure" on the second line of that
13 paragraph?

14 MR. COOPER: Really it means that the equity
15 owners, as we're discussing a little bit with the
16 Chairman, the ultimate equity owners have changed in
17 this instance have changed. So if you were to look at a
18 -- If you were to look at an org chart, you would have a
19 different member of First Round, LLC. So I suppose
20 really the org chart wouldn't have changed between
21 Confluence Rivers and First Round, LLC, but the ultimate
22 equity -- majority equity owners have changed.

23 COMMISSIONER HALL: And so are you
24 representing that that change will allow Confluence
25 Rivers to obtain more traditional debt financing?

1 MR. COOPER: I don't know that more
2 traditional necessarily. I mean, we're still working
3 through that whether it's more traditional or not, but
4 we believe that it will be at a cheaper rate than the
5 Commission have seen before.

6 COMMISSIONER HALL: A lower rate and also not
7 necessarily with an affiliate?

8 MR. COOPER: Not necessarily, but I think
9 that's still a possibility too. But with the caveats or
10 the items that are mentioned in that paragraph which is
11 even in that scenario a lower interest rate and no make
12 whole penalty in the financing.

13 COMMISSIONER HALL: A couple of questions for
14 Mr. Cox, I believe.

15 QUESTIONS BY COMMISSIONER HALL:

16 Q. On page 23 on of your direct testimony you
17 outline a number of the efforts made to find more
18 traditional debt financing. I will congratulate you for
19 that significant effort. Is it safe to say that as you
20 acquire more systems, have a longer track history in
21 Missouri of providing safe and adequate service for
22 paying your bills that it will become easier for you to
23 find more traditional financing as you continue to
24 acquire more systems?

25 A. Yes, sir, I believe that is true, and I

1 believe that's what we've demonstrated even the track
2 record we have now we've already been able to attract
3 new investors who have capital requirements that are
4 lower. That's the whole point of even changing
5 ownership from my perspective as the president of the
6 company is we wanted cheaper financing, we want
7 financing without prepayment penalties. So that is the
8 whole -- we obviously are -- our mantra is to provide
9 safe and reliable service to systems that typically
10 don't have access to it and to continue to provide the
11 cheapest rate we find possible in the market. That's
12 our entire goal.

13 Q. Well, it's clear to me that the systems that
14 you are attempting to acquire are having significant
15 problems, and I think that's pretty much uncontroverted,
16 some more significant problems than others. And I also
17 think that it is clear based upon your record in
18 Missouri that you have come in and made significant
19 efforts to improve existing systems for the benefit of
20 those ratepayers.

21 The issue that this Commission has had, as you
22 are well aware, has been and continues to be the terms
23 of debt financing, particular when that debt financing
24 is high and the transactions involve affiliates. So I
25 appreciate, A, your willingness to continue acquiring

1 some of these troubled systems, because that is an
2 ongoing issue that we have in Missouri and across the
3 country. And two, your willingness to seek from my
4 perspective more reasonable financing and hopefully from
5 -- well, I'll just leave it at that, seeking lower
6 financing. And it is your understanding that the
7 stipulation does not speak to financing at all, correct?

8 A. It is my understanding we will come back in
9 for a financing case, that is correct, sir.

10 COMMISSIONER HALL: So we're not making, and
11 I'll ask this question of counsel, we're not making any
12 ratemaking determinations whatsoever in this proceeding;
13 is that correct?

14 MR. COOPER: That is correct.

15 COMMISSIONER HALL: My next question is the
16 total cost of the acquisitions, and I believe that may
17 be a confidential number; is that correct?

18 MR. COOPER: I believe it would be. I don't
19 have the number. Do you have the number, Mr. Cox?

20 JUDGE GRAHAM: Mr. Cox, without giving the
21 number.

22 MR. COOPER: Exactly.

23 THE WITNESS: I do not have the number in
24 front of me. I do not believe -- If it's in my
25 testimony -- Hold on. I do have the number here.

1 COMMISSIONER HALL: I've got a number that
2 Staff provided but it was earlier in the proceeding and
3 there's been some additional systems added and some
4 subtracted.

5 MR. COOPER: Commissioner, if there's no
6 objection from the others, would it be helpful if after
7 this hearing we made a filing that provided you with
8 that number?

9 JUDGE GRAHAM: Or we can go in camera at this
10 point.

11 MR. COOPER: Well, I'm just not sure that we
12 have it added up sitting here on the stand.

13 COMMISSIONER HALL: And it's also an estimate.
14 I understand that as well.

15 MR. COOPER: Right. But we could provide you
16 the best number we can have. We probably can't do it
17 while Mr. Cox is sitting on the stand.

18 MS. PAYNE: Commissioner, if we did want to go
19 in camera, Staff has its best estimate of the number as
20 calculated based on the most recent developments in the
21 case.

22 COMMISSIONER HALL: And is that something that
23 would be put forth by one of your witnesses?

24 MS. PAYNE: Correct.

25 COMMISSIONER HALL: Okay. I think I'd like to

1 do that, but we can hold on that. I believe that's all
2 I have for counsel and for this witness. Thank you.

3 JUDGE GRAHAM: Any further questions, Mr.
4 Chairman? Can this witness step down? Thank you,
5 Mr. Cox, you may step down.

6 (Witness excused.)

7 JUDGE GRAHAM: I think we said we have no
8 further questions from the Commission for Witness Cox,
9 but I'm not sure that we have completed our questions of
10 counsel.

11 COMMISSIONER HALL: That's correct.

12 JUDGE GRAHAM: Have we completed our questions
13 of counsel? Do you have some more questions for
14 counsel?

15 COMMISSIONER HALL: I have no questions.

16 JUDGE GRAHAM: Go ahead. If you wish to at
17 this time.

18 COMMISSIONER HALL: Are they going to give an
19 opening or not?

20 JUDGE GRAHAM: Mr. Cooper, was that your
21 opening statement that you gave?

22 COMMISSIONER HALL: Well, Staff and OPC.

23 JUDGE GRAHAM: I was going to go next to
24 Staff, yes. Are we finished with you, Mr. Cooper, for
25 the moment?

1 MR. COOPER: I believe so, yes, Your Honor.

2 JUDGE GRAHAM: Why don't we go ahead and
3 proceed with Staff and get an opening statement from
4 Staff.

5 MS. PAYNE: Thank you, Your Honor. Staff is
6 in support of the Unanimous Stipulation and Agreement
7 that was filed by and signed onto by all of the parties
8 December 14, 2018.

9 In our recommendation regarding Confluence's
10 original application, Staff articulated support of the
11 acquisition of all of the water and sewer systems that
12 were identified. Staff in its amended recommendation
13 renewed that support and also expressed the support for
14 the additional water and sewer systems that were
15 included in that amended application.

16 Both recommendations were filed in EFIS. They
17 may be found as attachments to the testimony of Ms.
18 Natelle Dietrich, and the Unanimous Stipulation and
19 Agreement is a continued reflection of Staff's ongoing
20 support throughout this docket for Confluence to acquire
21 small water and sewer systems which need improvements
22 which are presently held in receivership or seeking new
23 owners.

24 Staff's memorandum that was filed in
25 conjunction with its original recommendation and its

1 amended recommendations outline the details of each of
2 the water and sewer systems specifically that Confluence
3 is seeking to acquire. Between the two applications,
4 there were 10 water systems and 11 sewer systems. As
5 Mr. Cox mentioned earlier as part of the Unanimous
6 Stipulation and Agreement, there are now nine water
7 systems and nine sewer systems that would be acquired
8 should the Unanimous Stipulation and Agreement be
9 approved. Five of these systems are not presently
10 regulated by the Commission, three of the regulated
11 utilities are in court-appointed receivership, seven of
12 the sewer systems have current or soon to be pending
13 issues with permits or compliance with the Department of
14 Natural Resources. Two of the entities have complaints
15 pending before the Commission related to the compliance
16 issues. One entity is not in compliance with Commission
17 regulations, and all but one of the relevant utility
18 plant facilities are considered aged and would require
19 repair or replacement.

20 In making its recommendation, Staff considers
21 the technical, managerial and financial capabilities of
22 an entity, as well as the certain criteria that were
23 originally outlined in the Tartan Energy Company case.

24 Staff's specific investigation of the criteria
25 is obviously contained in detail in its recommendations,

1 but in summary Staff has recommended consistently that
2 Confluence meets all of the necessary criteria and it's
3 proper for them to acquire these systems. Staff has its
4 witnesses Natelle Dietrich, David Roos and Kim Bolin
5 that are present to answer questions regarding any of
6 the technical aspects. I'm happy to take any questions
7 that the Commission might have for me.

8 JUDGE GRAHAM: Chairman Silvey, do you have
9 any questions of counsel?

10 CHAIRMAN SILVEY: No.

11 JUDGE GRAHAM: Commissioner Hall, do you have
12 questions?

13 COMMISSIONER HALL: What was Staff's position
14 on the original request to approve the debt financing?

15 MS. PAYNE: Staff had not taken a formal
16 position at the time of its recommendation. We
17 certainly recognize that financing is necessary at some
18 point to perform the improvements that are necessary.
19 However, we recognize the Commission's prior statements
20 made regarding the financing that was sought, and we
21 were uncertain if the financing would be to the
22 Commission's approval. However, in Staff's position
23 financing is necessary, and unfortunately, even if it
24 may not be an ideal situation, we recognize that it's
25 better to have these improvements made than to let these

1 systems continue to sit in disarray.

2 COMMISSIONER HALL: So was the Staff in
3 support of the request for approval of financing?

4 MS. PAYNE: Staff would support it, yes, the
5 original debt financing request.

6 COMMISSIONER HALL: Does Staff believe that
7 the Commission has the -- When the Company comes back
8 for approval to encumber assets for the debt financing,
9 does Staff believe that the Commission has the authority
10 to condition that approval on an interest rate below a
11 certain number?

12 MS. PAYNE: I think the Commission can. I
13 think it has the authority to do so. I'm not sure if
14 it's always in the best interest of the operations of
15 the Company.

16 COMMISSIONER HALL: So I have a couple of
17 questions, and this is probably better directed towards
18 a witness, but I'll let you make that decision.

19 MS. PAYNE: Absolutely.

20 COMMISSIONER HALL: And that is I wanted a
21 little bit of analysis on Mr. Cox's company's
22 performance providing safe and adequate service in
23 Missouri. Is that something that one of your witnesses
24 would be better equipped to address?

25 MS. PAYNE: Absolutely. I mean, in general I

1 can say that we've been -- that the Staff has been
2 impressed with what we have seen as far as the prior
3 operations. But when it gets down into technical
4 details, I think it would probably be better served to
5 Mr. Jim Busch.

6 COMMISSIONER HALL: Okay. Why don't we swear
7 Mr. Busch in and I'll ask a couple questions.

8 MS. PAYNE: Absolutely.

9 JUDGE GRAHAM: Mr. Busch, do you want to state
10 your full name and then I'll swear you in?

11 THE WITNESS: My name is James A. Busch.

12 (Witness sworn.)

13 JUDGE GRAHAM: Go ahead and be seated. We can
14 proceed with Commissioners' questions or, Ms. Payne, you
15 can go ahead and direct your witness.

16 JAMES A. BUSCH,
17 called as a witness, being sworn, testified as follows:

18 QUESTIONS BY MS. PAYNE:

19 Q. Would you please state and spell your name?

20 A. My name is James Busch. Busch is spelled
21 B-u-s-c-h.

22 MS. PAYNE: Thank you. I would offer this
23 witness to answer questions.

24 JUDGE GRAHAM: Chairman, do you have any
25 questions? Commissioner Hall?

1 QUESTIONS BY COMMISSIONER HALL:

2 Q. So my understanding is that Mr. Cox owns, I'm
3 not even sure how to phrase this, but is involved with
4 and perhaps as president of Raccoon Creek, Hillcrest,
5 Elm Hills and Indian Hills. Are those the four
6 companies that he has an interest in that you're aware
7 of?

8 A. Those are the four systems that he currently
9 has authority to provide service here in the state of
10 Missouri.

11 Q. Okay. Can you characterize the service that
12 existed that was provided by those systems prior to his
13 acquisition, and you can do it generally or one by one,
14 however you deem it appropriate.

15 A. Well, first I'll do it generally. Those
16 systems were -- The ones that we're familiar with, not
17 all of them like I think Raccoon Creek and Elm Hills, a
18 couple of those were included systems that were not
19 under a PSC jurisdiction prior to the purchase by
20 Mr. Cox's companies, but all of them were -- they were
21 operated by individuals who, one, did not have any
22 abilities to put money into the systems and so they were
23 either in violation of Department of Natural Resources
24 rules not providing safe and adequate service.

25 The owners were partially willing to provide

1 service and to try to make them better. They weren't
2 really, you know, they weren't doing what they should be
3 doing. And we had a lot of history with those. I know
4 the Department of Natural Resources had a lot of history
5 with those trying to help those systems along.

6 One of the systems, one of the Elm Hills
7 systems was actually in receivership in the state of
8 Missouri. When Mr. Cox took over, even prior to taking
9 over, some of those systems I know that they did make
10 some improvements. They did put in some money into the
11 systems to ensure safe and adequate service even prior
12 to the authority to do so to try to, you know, make sure
13 that these people had the abilities to have safe and
14 adequate service.

15 Since he has taken over, as far as the Staff
16 is concerned, he has made the investments into the
17 systems and got them up to meeting the standards of the
18 Department of Natural Resources and to the standards of
19 our safe and adequate responsibilities. Anytime that
20 there are breaks in the system, anytime they have to
21 shut down the systems in order to fix leaks, e-mails go
22 out to all the consumers, e-mails come out to us so we
23 know and we are aware of what is going on at the system
24 so if we get customer complaints we can address those,
25 we are aware of what's going on.

1 In the past, those leaks would just occur,
2 consumers could not get ahold of the ownership. It
3 would be very difficult for that to occur. So the
4 communication between the owners and the companies was
5 very poor. In our opinion now it is not poor. It is as
6 good as any system that we have currently in the state
7 of Missouri. And anytime that they have a question
8 about how a tariff works or a Commission rule, how they
9 should respond to a consumer, his folks will call us and
10 they'll ask questions and they will get the answer, the
11 right answer and then they'll proceed. They don't just
12 make decisions without understanding the rules and what
13 we expect them to be.

14 That is one of the things that we always hope
15 for with our smaller systems is that if they don't
16 understand, they call, they get clarification and then
17 they work with the consumers to ensure that the answers
18 they give and the service they provide is the best it
19 can be.

20 So at this stage I've been very impressed with
21 Mr. Cox's companies. He's building a team that cares,
22 that wants to provide good quality service to the
23 consumers, and from my perspective he's done that.

24 Q. And how would you characterize the current
25 service at the nine water systems and nine sewer systems

1 that are the subject of this application?

2 A. It varies. Just going through the list, the
3 first one on our list is Calvey Brook. That's a very
4 small homeowners association. It does have Commission
5 approval for a CCN. There's only been a handful of
6 customers who actually are connected to the system. It
7 didn't grow as it should have after it had been granted
8 authority 10 or 15 years ago. They've had issues. It
9 happened shortly before the financial crisis in
10 2007-2008. Ownership has gone to a bank and to a
11 homeowners association, and we as Staff tried to work
12 with the entities to get them to, you know, do the
13 proper transfers and we had a very difficult time of
14 finding who was in control and so looking forward to
15 having that system under control by a utility that we
16 can contact.

17 The next one on our list is Smithview, which
18 is up in the Columbia area. We have a complaint against
19 them that dates back to 2016. Basically that owner has
20 for lack of anything else has abandoned that system.
21 CSWR has been running that system, has a management
22 contract I believe with that company and has been
23 operating that system and making investments into that
24 system to keep the water running for those consumers.
25 And if it wasn't for CSWR taking that responsibility, we

1 would have had to put that company or attempt to put
2 that company into receivership because the owner, like I
3 said, was walking away from it and I think everytime
4 something from the Commission goes out we get a return
5 mail from the owner of Smithview. So I appreciate CSWR
6 taking over and doing the management of that system.

7 MPB is another system that is also in
8 receivership that has been a troubled company for the
9 last, gosh, at least 10 years that I've been at the
10 water and sewer department. You know, with the
11 receivership it has many issues. It has two different
12 systems, Villa Ridge and Lake Virginia. Lake Virginia
13 is very small, only about 20, 30 customers on that
14 lagoon. It definitely has some improvements that need
15 to be made, and under the purview of a receiver those
16 investments were not going to be made. So it will be
17 good to have somebody be able to put investments in
18 there to get that up to that standards.

19 Mill Creek is another one of our systems that
20 is in receivership. Again, anytime you have a company
21 that's in receivership we need to get that system into
22 an actual ownership as quickly as possible.

23 Roy-L is a small system that you may be aware
24 of. I think they had a rate case two years ago, three
25 years ago. It's a small operation, roughly 60

1 customers. The owner of that one provides as good of
2 service as she can. I know that they've gone out to try
3 to get financing to make the improvements that are
4 needed and necessary. Unfortunately it's been more and
5 more difficult for her and her family to keep going out
6 and getting this financing, and the requirements from
7 DNR keep getting stricter and it's going to be more
8 difficult for her to continue to provide safe and
9 adequate service as time went on.

10 Port Perry has been removed. Gladlo Water and
11 Sewer System is again under receivership. It's the same
12 receiver as Mill Creek. They're getting by, but it will
13 be nice to actually be able to have a company that can
14 provide financing service to that one.

15 The Willows is a system that is getting old
16 and has some enforcement actions. And if I remember
17 correctly with the Willows, this one has another system
18 where the ownership has been very difficult for us to
19 reach over the last few years.

20 Evergreen, we don't have a lot of complaints
21 about Evergreen but anytime -- It's a system that has an
22 owner that is ready to move on. So anytime we get to
23 that stage the quicker we get it into a situation with
24 an owner who is willing and able to provide the service
25 the better it is as opposed to waiting until it

1 deteriorates.

2 I think that's a quick rundown of all the
3 systems that are in front. The other ones are Auburn
4 Lakes and Majestic Lakes, and those are two systems that
5 aren't currently regulated by the PSC and from what
6 we've been able to tell I don't think -- Auburn Lakes I
7 don't think has a lot of big issues that we are aware
8 of. I think Majestic Lakes does have some wastewater
9 issues that are going to have to be taken care of that
10 their homeowners association probably will not be able
11 to afford. And then the last one is the city of Eugene.
12 If anybody is familiar in this area with the city of
13 Eugene, that water system has been under control I think
14 by a former Chairman, Al Mueller, for the past few
15 years, has been looked at by other companies. They've
16 been -- Cole County has been trying to get rid of this
17 system for awhile. It's nice to see that somebody is
18 going to purchase that system and provide safe and
19 adequate service to the consumers down in the Eugene
20 area.

21 Q. I appreciate that summary. For me the bottom
22 line is the public interest and that is involved in the
23 standard both for the transfer of assets and for the
24 CCN, and it appears to me that we've got 18 systems most
25 of which you're indicating have some significant service

1 issues currently, that in conjunction with the
2 testimony, your testimony about Mr. Cox and his
3 company's history of taking troubled systems and using
4 his experience and expertise to provide the improvements
5 necessary so as to provide safe and adequate service.
6 You combine those two facts and it seems to me that the
7 burden has been met; that these transactions are in the
8 public interest. So I appreciate that testimony.

9 I am interested in getting information on the
10 sale price. I assume that this is the witness or not.

11 MS. PAYNE: No. Our witness Kim Bolin would
12 actually be more appropriate to answer any questions
13 regarding that.

14 COMMISSIONER HALL: Okay. Thank you. I have
15 no further questions.

16 JUDGE GRAHAM: Mr. Chairman, do you have any
17 further questions? Staff counsel, do you have any
18 questions for the witness?

19 MS. PAYNE: No, I do not. I would call our
20 witness Kim Bolin to take the stand however.

21 (Witness excused.)

22 JUDGE GRAHAM: Should we just go ahead and go
23 confidential at this point or is there information that
24 we're going to elicit from this witness that we can go
25 ahead and stream?

1 MS. PAYNE: I would probably at least have the
2 witness sworn in and state her name and qualifications.

3 JUDGE GRAHAM: Do you want to go ahead and
4 state your full name and I'll swear you in?

5 THE WITNESS: Kimberly Bolin.

6 (Witness sworn.)

7 JUDGE GRAHAM: Go ahead and take your seat.

8 MR. COOPER: Judge, I've got one comment that
9 may help this process a little bit. Mr. Cox and I were
10 discussing this. And if the question continues to be
11 the overall summary purchase price number for all the
12 systems put together, we don't believe you need to go in
13 camera for that. It would only be if it started getting
14 broken out system by system that we would be sensitive
15 to those numbers.

16 JUDGE GRAHAM: Is that satisfactory to the
17 Commission?

18 COMMISSIONER HALL: That would be great. Then
19 I would also suggest that in the testimony where that
20 total price is confidential that that be fixed as well
21 if the total price is not, I'm not sure how that could
22 be effectuated.

23 MR. COOPER: I understand what you're saying,
24 Commissioner. I've got to think through how we would do
25 that necessarily. The one in the testimony is also

1 going to be a dated number as well, right, because it's
2 going to have some systems that aren't in the final
3 analysis.

4 MS. PAYNE: That's correct. It was made
5 confidential because at the time that Staff assembled
6 that number we only had the individual prices which had
7 been kept confidential by the Company. So out of an
8 abundance of caution, we made that total number
9 confidential because we were uncertain at that time if
10 the total would be considered confidential based on what
11 had been provided to us.

12 COMMISSIONER HALL: Okay.

13 JUDGE GRAHAM: So is the call not to go
14 confidential?

15 COMMISSIONER HALL: I believe that's correct.

16 JUDGE GRAHAM: All right. Do you want to go
17 ahead and direct your witness?

18 MS. PAYNE: Absolutely.

19 KIMBERLY BOLIN,
20 called as a witness, being sworn, testified as follows:

21 QUESTIONS BY MS. PAYNE:

22 Q. Would you please state and spell your name for
23 the court reporter?

24 A. Kimberly Bolin and Bolin is spelled B-o-l-i-n.

25 Q. And can you please tell me by whom you're

1 employed and in what capacity?

2 A. I'm employed with the Missouri Public Service
3 Commission as a utility regulatory auditor.

4 MS. PAYNE: Your Honor, Ms. Bolin filed
5 testimony. Would you like me to -- Staff intends to
6 offer its testimony for the record or at least for the
7 Commission's consideration to take official notice.
8 Would you like me to offer that now?

9 JUDGE GRAHAM: You may go ahead and do that,
10 yes.

11 MS. PAYNE: Okay.

12 BY MS. PAYNE:

13 Q. Did you file direct testimony in this matter
14 of which there was both a public and confidential
15 version?

16 A. Yes, I did.

17 Q. And is everything that's contained in that
18 testimony true and correct to the best of your
19 knowledge?

20 A. Yes, it is.

21 Q. Do you have any changes to make to that?

22 A. No, I do not.

23 Q. If I asked you the questions that were
24 contained in that testimony, would your answers be the
25 same?

1 A. Yes, they would.

2 MS. PAYNE: All right. Then I would go ahead
3 and offer both the confidential and public version of
4 the direct testimony of Kimberly K. Bolin, and copies
5 have been provided to the court reporter previously.

6 JUDGE GRAHAM: Hearing no objections, the
7 Commission will officially notice that testimony.

8 MS. PAYNE: And I would go ahead and offer
9 this witness to answer any questions.

10 JUDGE GRAHAM: Thank you very much. Chairman
11 Hall? No questions from the Chairman. Do you have
12 questions now, Commissioner Hall?

13 QUESTIONS BY COMMISSIONER HALL:

14 Q. Good morning. So what is Staff's estimate for
15 the total purchase price for the nine water and nine
16 sewer systems?

17 A. \$423,470.

18 Q. And have you performed a calculation on what
19 Staff's estimate for a rate base would be?

20 A. Yes, I have. And we calculate rate base to
21 now be \$449,073, and that is an estimate as of December
22 31, 2017.

23 Q. So whereas before the rate base was below the
24 purchase price, now the rate base is above the purchase
25 price?

1 A. That is correct.

2 Q. Interesting. Does Staff continue to believe
3 that the fair market value should be the basis for the
4 rate base determination -- excuse me, the net book
5 value?

6 A. Yes, we do.

7 Q. Though that is not an issue for this
8 proceeding?

9 A. That is correct.

10 COMMISSIONER HALL: I think that's all the
11 questions I have. Thank you.

12 JUDGE GRAHAM: With that, Chairman Silvey, do
13 you have any follow up?

14 CHAIRMAN SILVEY: No.

15 JUDGE GRAHAM: May this witness be excused?

16 MR. SMITH: Would you mind if I asked a couple
17 questions?

18 JUDGE GRAHAM: I'm sorry. Go ahead. This is
19 OPC.

20 MR. SMITH: Yes, this is Ryan Smith with OPC.

21 QUESTIONS BY MR. SMITH:

22 Q. Ms. Bolin, are you aware of any payments to
23 the owners to keep the owners on as sort of consultants
24 to any of these companies?

25 A. I am not aware of any arrangements like that

1 at this time.

2 Q. Did you review any arrangements like that?

3 A. I did not see any arrangements like that.

4 MR. SMITH: Okay. Thank you.

5 JUDGE GRAHAM: Does that cause anybody to want
6 to ask any further questions? May this witness step
7 down?

8 (Witness excused.)

9 JUDGE GRAHAM: The manner in which we've been
10 proceeding is to have opening statements from counsel
11 and then we've been taking testimony with those
12 statements ,and the Office of Public Counsel stepped in
13 at this point. Do you have an opening statement, sir?

14 MR. SMITH: Yes.

15 MS. PAYNE: Your Honor, before we move from
16 Staff, would it be possible to take official notice of
17 the remaining testimony that Staff filed in this
18 proceeding?

19 JUDGE GRAHAM: Do you want to call it out?

20 MS. PAYNE: I will. I have the direct
21 testimony of Natelle Dietrich, both confidential and
22 public.

23 JUDGE GRAHAM: Any objections to taking
24 official notice of that testimony? Hearing none, that
25 testimony will be received.

1 MS. PAYNE: The direct testimony of James A.
2 Merciel, Jr., P.E., both confidential and public.

3 JUDGE GRAHAM: Hearing no objections to that
4 testimony, the Commission will officially notice it.

5 MS. PAYNE: And the direct testimony of David
6 C. Roos, both confidential and public.

7 JUDGE GRAHAM: Hearing no objection to that
8 testimony, it will be received. And all those items are
9 in EFIS; is that right?

10 MS. PAYNE: That is correct.

11 JUDGE GRAHAM: Thank you.

12 MS. PAYNE: Thank you, Your Honor.

13 COMMISSIONER HALL: Excuse me. Could I ask
14 that Ms. Dietrich take the stand for a couple of very
15 brief questions.

16 JUDGE GRAHAM: Ms. Dietrich, will you go up
17 and give your full name and I'll swear you in.

18 THE WITNESS: Natelle Dietrich.

19 (Witness sworn.)

20 JUDGE GRAHAM: You may be seated. And do you
21 want to proceed?

22 COMMISSIONER HALL: Yeah, that's fine. Thank
23 you and I'll be very brief.

24 NATELLE DIETRICH,
25 called as a witness, being sworn, testified as follows:

1 QUESTIONS BY COMMISSIONER HALL:

2 Q. I articulated a moment ago my personal
3 position as to the public interest standard and my
4 understanding at least currently that that standard has
5 been met with regards to this application as it's
6 modified by the Unanimous Stipulation, but I'm
7 interested in your view of that. What do you believe
8 the correct standard is for the Commission in evaluating
9 this Unanimous Stipulation and do you believe that that
10 standard has been met and why?

11 A. Not being an attorney, my understanding is
12 also the public interest, and Staff reviews the
13 technical, managerial and financial capability and also
14 the Tartan criteria. In both of our Staff
15 recommendations, we found that the applications met
16 those criterias and therefore the transactions would be
17 in the public interest. The agreements in the
18 stipulation more or less mirror the conditions and the
19 recommendations that we had in our Staff
20 recommendations. So it would be my opinion that the
21 stipulation also supports the public interest.

22 Q. Let me just drill down a little bit, and I'm
23 not going to spend a lot of time here, but why do you
24 believe that the application as modified by the
25 Unanimous Stipulation is in the public interest?

1 A. I think a lot of it goes back to your
2 discussion with Mr. Busch. Many of these systems are
3 distressed systems, some are in receivership, some are
4 at the verge of getting issues with Department of
5 Natural Resources. Mr. Cox and CSWR, Confluence,
6 whichever name you want to apply at this point, has
7 demonstrated that they are able to take these types of
8 systems out of distress and make repairs and make them
9 viable systems. In addition, as Mr. Busch noted, they
10 have stepped up and like, for instance, in Smithview
11 they've been managing it and investing in it even before
12 the Commission process.

13 COMMISSIONER HALL: Okay. Thank you. That's
14 all the questions I have.

15 JUDGE GRAHAM: Chairman Silvey, did you have
16 any follow up? Office of the Public Counsel, do you
17 have any follow up? Any other attorneys have any
18 questions for this witness? May this witness step down?

19 (Witness excused.)

20 JUDGE GRAHAM: Now, I gather Staff has no
21 other witnesses?

22 MS. PAYNE: We have no one else to offer
23 unless the Commission would have any questions.

24 JUDGE GRAHAM: I'm going to turn now to OPC.
25 Do you have an opening statement for us or a statement

1 on this case?

2 MR. SMITH: Yes, Judge, a brief one.

3 JUDGE GRAHAM: Go ahead.

4 MR. SMITH: As has been explained, the
5 Commission has before it a settlement to approve the
6 granting of Certificates of Convenience and Necessity
7 and Asset Transfers that represents 18 different systems
8 for 11 different entities. This isn't a typical CCN
9 case because of the large number of various systems
10 being acquired.

11 As Ms. Dietrich said and as Commissioner Hall
12 has indicated, we agree that the public interest
13 standard is the correct standard for an application of
14 this case. However, we would note that we believe that
15 standard would need to apply as to each of the systems
16 individually.

17 In other words, if you had one system that was
18 -- it was not in the public interest, then we would not
19 be recommending that the Commission approve that portion
20 of the application. The application was originally
21 filed November 2, 2017, but in July it got amended.
22 More systems were added. From the original application,
23 several systems were dropped, including the Port Perry
24 system.

25 The settlement reached a resolution that was

1 acceptable to the OPC for several reasons. The Tartan
2 criteria, the OPC was most concerned with the Company's
3 financial ability and the Company's economic feasibility
4 of their proposal.

5 The OPC believed it was important to present
6 to the Commission the fact this company, its parent and
7 its previous affiliated lender have all been acquired.
8 That information had not been presented to the
9 Commission in this case. However, it was presented to
10 the Commission in a different case which was
11 SM-2017-0150, I believe. Yes, SM-2017-0150. So this
12 stipulation provides notice to the Commission we thought
13 it was important that the Commission become aware that
14 the parent and the previous affiliated lender had been
15 acquired. So the stipulation accomplishes that goal.

16 Paragraph 7 has been discussed by both the
17 Chairman and the Commissioner. That paragraph was
18 important to us because if financial ability is
19 something that the Commission is supposed to look at for
20 applications and there would no longer be any sort of
21 financing application we wanted to have basically a
22 factual basis that could show the Commission that the
23 financial ability of the company was improving. So that
24 paragraph 7 was important to the OPC.

25 We also believe that this company went into

1 the transaction with their eyes wide open. They're
2 familiar with the Commission's recent ruling in the
3 Indian Hills matter as to what a reasonable cost of debt
4 would be. And paragraph 10 concerns future rates. That
5 provision was also important to the OPC.

6 Paragraph 10 addresses the idea that the
7 Company would actually work with the Department of
8 Natural Resources to the extent possible to try to
9 balance affordability with safety. We don't believe
10 that those things need to be mutually exclusive.
11 We think affordability and safety are both serious
12 concerns. One of the witnesses, Mr. Jim Busch, had
13 talked about performance. One of the things the OPC
14 noted in the Indian Hills case is that the Company had
15 not sought any sort of compliance plan with the
16 Department of Natural Resources to see, you know, is it
17 possible if we stagger some of these investments or what
18 could be a good way to implement reasonable low cost
19 safe solutions. And so paragraph 10 is important to us
20 so that the Company can work with the Department of
21 Natural Resources and try to reach those resolutions.

22 It would be our hope, although it's not in the
23 stipulation, that to the extent possible that the
24 Company would want to be transparent with the OPC as it
25 was implementing its proposals, we would certainly

1 accept that. That is not currently part of what's being
2 offered.

3 Based on the Tartan criteria, the OPC is
4 supportive of the resolution. As you see, we were a
5 signatory on this stipulation. I stand ready for any
6 questions.

7 JUDGE GRAHAM: Any questions from the
8 Chairman? From Commissioner Hall?

9 COMMISSIONER HALL: A question and then -- The
10 Indian Hills case --

11 MR. SMITH: Yes.

12 COMMISSIONER HALL: -- where the Commission
13 set a cost of debt at 6.75 percent, which was below the
14 amount sought, I believe it was 14 percent; is that
15 correct? That's okay. My understanding is that that
16 decision of the Commission was appealed but that appeal
17 has been withdrawn. Is that your understanding as well?

18 MR. SMITH: That is exactly right.

19 COMMISSIONER HALL: Is that the understanding
20 of the Company as well?

21 MR. COOPER: Yes, Commissioner.

22 COMMISSIONER HALL: When was that appeal
23 withdrawn?

24 MR. COOPER: Within the last couple weeks. I
25 don't have the exact date in front of me.

1 COMMISSIONER HALL: After briefing but before
2 oral argument; is that correct?

3 MR. COOPER: It was, yes.

4 COMMISSIONER HALL: I don't suppose counsel
5 for the Company would like to go on record acquiescing
6 to the Commission's authority to -- I'll withdraw that.
7 I have no further questions. Thank you.

8 JUDGE GRAHAM: Any other questions for
9 counsel? All right. Mr. Linton, this is just
10 housekeeping for me. I wanted to make sure I was
11 looking at the intervenor's application here and what I
12 see in paragraph 5 is that there was opposition only to
13 the extent that the Port Perry assets were going to be
14 acquired and that otherwise the intervenor had no
15 position but was reserving a right to adopt a position
16 later on the overall deal. I'm assuming the record can
17 reflect that the intervenor has no opposition to this
18 stipulation; is that correct?

19 MR. LINTON: Yes, Your Honor, just very
20 briefly and for the completeness of the record.

21 JUDGE GRAHAM: Yes, sir, go ahead.

22 MR. LINTON: Lake Perry Lot Owners'
23 Association do support the Stipulation and Agreement and
24 are signatories. As you just mentioned, our support is
25 predicated primarily on paragraph 8. We do echo OPC's

1 support of paragraph 7 in the effort to get better
2 financing rates as has been discussed here. Also, we
3 support paragraph 10 as OPC has done in the effort to
4 more efficiently and effectively implement improvements.
5 But with that, yes, the Lake Perry Plat Owners'
6 Association does support the Stipulation and Agreement
7 and is a signatory.

8 JUDGE GRAHAM: Thank you very much. Any
9 questions for counsel?

10 COMMISSIONER HALL: No questions. Thank you.

11 JUDGE GRAHAM: I believe that completes what
12 we need to do with our record today. Are there any
13 exhibits that we haven't mentioned that any party here
14 believes that we should be officially noticing before we
15 take this under advisement?

16 MR. COOPER: Yes, Judge. Given the notice
17 taken of the Staff filed direct testimony, we would ask
18 that the Commission treat similarly the Company's direct
19 testimony, that being the direct testimony of Josiah Cox
20 and the direct testimony of Todd Thomas.

21 JUDGE GRAHAM: That's in EFIS and filed?

22 MR. COOPER: It is.

23 JUDGE GRAHAM: Hearing no objection to that,
24 that testimony will be officially noticed. Anything
25 from Staff in that regard?

1 MS. PAYNE: No, thank you.

2 JUDGE GRAHAM: All right. I think, unless
3 there are closing statements, and I don't imagine there
4 are at this point, that we can go off the record and
5 take this under advisement. Commissioner Hall?

6 COMMISSIONER HALL: What is the plan for the
7 transcript and for anything else that has to happen
8 before the Commission can take up the stipulation?

9 JUDGE GRAHAM: I think we've got -- What did
10 we tell you down there? February 3, is that the
11 transcript, I'm coming from memory, court reporter?

12 THE COURT REPORTER: She's got February 7.

13 COMMISSIONER HALL: Is there any reason why
14 the Commission can't take up the stipulation as soon as
15 possible or is there a need for the transcript and
16 briefing or anything further?

17 MR. COOPER: Not from the Company's
18 perspective, no.

19 MS. PAYNE: None from Staff.

20 MR. SMITH: None from OPC.

21 COMMISSIONER HALL: Thank you.

22 JUDGE GRAHAM: All right. Then we will go off
23 the record.

24 (Off the record.)

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CERTIFICATE OF REPORTER

I, Beverly Jean Bentch, RPR, CCR No. 640, Certified Court Reporter with the firm of Tiger Court Reporting, LLC, within the State of Missouri, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Beverly Jean Bentch

Beverly Jean Bentch, CCR No. 640

<p style="text-align: center;">\$</p> <hr/> <p>\$423,470 49:17 \$449,073 49:21</p> <hr/> <p style="text-align: center;">0</p> <hr/> <p>0116 18:5</p> <hr/> <p style="text-align: center;">1</p> <hr/> <p>10 34:4 41:8 42:9 57:4,6,19 60:3 11 16:23 34:4 55:8 14 14:14 33:8 58:14 15 41:8 18 44:24 55:7</p> <hr/> <p style="text-align: center;">2</p> <hr/> <p>2 55:21 20 42:13 2007-2008 41:10 2016 41:19 2017 49:22 55:21 2018 14:14 33:8 23 28:16</p> <hr/> <p style="text-align: center;">3</p> <hr/> <p>3 61:10 30 42:13 31 49:22</p> <hr/> <p style="text-align: center;">5</p> <hr/> <p>5 59:12 50-50 22:23 500 19:20</p>	<p style="text-align: center;">6</p> <hr/> <p>6.75 58:13 60 42:25 63074 19:21</p> <hr/> <p style="text-align: center;">7</p> <hr/> <p>7 22:20 26:13 56:16,24 60:1 61:12</p> <hr/> <p style="text-align: center;">8</p> <hr/> <p>8 59:25 825 15:14</p> <hr/> <p style="text-align: center;">A</p> <hr/> <p>abandoned 41:20 abilities 38:22 39:13 ability 22:21 56:3,18, 23 Absolutely 23:13 36:19,25 37:8 47:18 abundance 47:8 accept 58:1 acceptable 56:1 access 29:10 accomplishes 56:15 accurate 19:7 acquiescing 59:5 acquire 14:5 16:21 17:8 28:20,24 29:14 33:20 34:3 35:3 acquired 34:7 55:10 56:7,15 59:14 acquiring 29:25 acquisition 33:11 38:13</p>	<p>acquisitions 30:16 actions 43:16 actual 42:22 added 31:3,12 55:22 adding 26:16 addition 54:9 additional 31:3 33:14 address 14:23 19:20 36:24 39:24 addresses 17:21 57:6 adequate 28:21 36:22 38:24 39:11,14, 19 43:9 44:19 45:5 administer 19:15,18 adopt 59:15 advisement 60:15 61:5 affiliate 23:12 28:7 affiliated 56:7,14 affiliates 29:24 afford 44:11 affordability 57:9,11 aged 34:18 agree 55:12 agreed 16:19 agreement 14:13 22:20 25:6 27:1 33:6, 19 34:6,8 59:23 60:6 agreements 53:17 ahead 16:15 19:15 20:2,15,23 32:16 33:2 37:13,15 45:22,25 46:3,7 47:17 48:9 49:2,8 50:18 55:3 59:21 ahold 40:2 amended 33:12,15 34:1 55:21</p>	<p>amount 58:14 analysis 36:21 47:3 Ann 19:21 answers 40:17 48:24 anytime 39:19,20 40:7 42:20 43:21,22 appeal 58:16,22 appealed 58:16 appearance 14:16,18 15:19 appearances 15:11 appearing 14:21 appears 44:24 applicant 16:16 application 14:4 17:5,6,7 22:25 23:20 33:10,15 41:1 53:5,24 55:13,20,22 56:21 59:11 applications 17:10 34:3 53:15 56:20 apply 54:6 55:15 approaches 25:10 approval 23:17 24:8, 21,22 35:22 36:3,8,10 41:5 approve 14:12 16:9 23:25 24:2 35:14 55:5, 19 approved 25:6 34:9 area 41:18 44:12,20 argument 59:2 arrangements 50:25 51:2,3 articulated 33:10 53:2 aspects 35:6 assembled 47:5 Asset 55:7</p>
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