

Exhibit No. _____
Issues: Debt Financing and Return on Equity
Witness: Martin W. Moore
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Sponsoring Party: Elm Hills Utility Operating
Company, Inc
File Nos.: WR-2020-0275
Date: November 10, 2020

Missouri Public Service Commission

Rebuttal Testimony

of

Martin W. Moore

On Behalf of

Elm Hills Utility Operating Company, Inc

November 10, 2020

PUBLIC

**** _____ ** Denotes Confidential**

Table of Contents

WITNESS INTRODUCTION.....	1
PURPOSE.....	1
EXPERIENCE/PERSPECTIVE	1
TERRE DU LAC DEBT AS A PROXY	3
ROE RECOMMENDATION.....	6

**REBUTTAL TESTIMONY OF
MARTIN W. MOORE
ELM HILLS UTILITY OPERATING COMPANY, INC.**

1 **WITNESS INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Martin W. Moore, 1650 Des Peres Road, Suite 303, St. Louis, MO 63131.

4 **Q. WHAT IS YOUR POSITION WITH ELM HILLS UTILITY OPERATING**
5 **COMPANY, INC. (ELM HILLS OR COMPANY)?**

6 A. I am the Chief Financial Officer and Treasurer of Elm Hills.

7 **Q. ARE YOU THE SAME MARTIN W. MOORE THAT PROVIDED DIRECT**
8 **TESTIMONY IN THIS PROCEEDING?**

9 A. Yes.

10 **PURPOSE**

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 A. To respond to certain aspects of the Direct Testimony of Office of the Public
13 Counsel (OPC) witness David Murray, as it relates to debt costs and resultant
14 approved ROE.

15 **EXPERIENCE/PERSPECTIVE**

16 **Q. IN HIS DIRECT TESTIMONY, OPC WITNESS DAVID MURRAY SETS FORTH**
17 **HIS “EXPERIENCE, KNOWLEDGE AND EDUCATION.” (P. 1, LINES 14-18;**
18 **SCHED. 1). DID YOU REVIEW THAT INFORMATION?**

19 A. Yes, I did.

1 **Q. DO YOU HAVE ANY OBSERVATIONS ABOUT THIS INFORMATION?**

2 A. Yes. Mr. Murray's experience and credentials suggest he has not yet had the
3 opportunity to directly be involved in sourcing any capital for any operating
4 business for at least the last twenty years.

5 **Q. DO YOU HAVE EXPERIENCE IN SOURCING CAPITAL (EQUITY AND/OR
6 DEBT) FOR OPERATING BUSINESSES OVER THAT PERIOD OF TIME?**

7 A. Yes. Over the last 25 years, I have been in a leadership role in originating more
8 than \$1 billion of capital. My experience includes more than 100 individual
9 transactions supported by asset-based lending, mezzanine financing, cash flow
10 lending, tax credit financing, public bond financing, World Bank lending, venture
11 equity capital and private equity. The industries have included heavy industrial
12 operations such as marine terminal and tow boat/barge operations, material
13 handling, warehousing, flatbed and dump truck hauling as well as manufacturing,
14 strategic marketing and real estate development, Low Income Housing Tax
15 Credit apartment development and solar power plant development. In just the
16 last five years, I was responsible for overseeing capital raises and debt financing
17 for more than \$350 million in LIHTC multi-family housing construction projects,
18 more than \$100 million in solar power plant development, and more than \$200
19 million in Federal and state tax credit financing.

20 **Q. IS THIS EXPERIENCE IMPORTANT TO YOU IN YOUR CURRENT ROLE?**

1 A. Yes. I have relied on this experience in my work attempting to find debt financing
2 for CSWR, LLC and its subsidiaries, as well as in the testimony I have prepared
3 for this case.

4 **TERRE DU LAC DEBT AS A PROXY**

5 **Q. OPC WITNESS MURRAY RECOMMENDS THE USE OF A COST OF DEBT OF**
6 **4.62% BASED ON TWO LOANS ISSUED BY TERRE DU LAC UTILITIES**
7 **CORPORATION (TDL) IN 2016 AND 2017 BECAUSE HE BELIEVES THAT IS**
8 **A “GOOD PROXY FOR ELM HILLS.” (P. 3, LINES 22-26; P. 24, LINE 6). ARE**
9 **YOU FAMILIAR WITH THE LOANS TO WHICH MR. MURRAY REFERS?**

10 A. Yes. I have reviewed loan information related to those loans.

11 **Q. DO YOU BELIEVE THESE TDL LOANS REPRESENT A REALISTIC PROXY**
12 **FOR ELM HILLS DEBT?**

13 A. I do not.

14 **Q. WHY NOT?**

15 A. Mr. Murray’s premise has been disproved by actual events. Elm Hills (as well as
16 CSWR, LLC) have sought similar loans and have been unsuccessful.
17 Additionally, my review of the annual reports for TDL suggest the entity has debt
18 almost equal to 90% of the asset values reported on the entity’s 2019 annual
19 report. This would suggest to a reviewer that either the lending institution
20 believed the underlying assets are worth much more than reported on the annual
21 report (\$1,199,192) or potentially the lender was offered some credit
22 enhancement from the owners of TDL. Otherwise, it would appear that the total

1 debt balance on TDL of \$931,786, with its three loans from FSCB, would be
2 extremely high given the assets shown on the utility's balance sheet. Of course,
3 any credit enhancement offered to the bank (for example, a personal guarantee
4 by the TDL owners) could further help explain the economic decision by the bank
5 to lend to TDL. ** _____

6 _____.

7 **Q. WHO IS THE LENDER ON THE LOANS TO TDL?**

8 A. First State Community Bank (FSCB).

9 **Q. DID ELM HILLS OR CSWR ATTEMPT TO BORROW MONEY FROM FSCB IN
10 A SIMILAR TIME FRAME TO WHEN THE REFERENCED TDL LOANS WERE
11 ISSUED?**

12 A. Yes. On two occasions, CSWR and certain subsidiary entities requested loans
13 from FSCB. Mr. Cox discusses the initial request, which occurred before I joined
14 CSWR, in his rebuttal testimony.

15 **Q. WAS CSWR AND/OR ITS SUBSIDIARIES INDIAN HILLS AND ELM HILLS
16 SUCCESSFUL IN OBTAINING AN OFFER OR TERM SHEET FOR A LOAN
17 FROM FSCB?**

18 A. No. Attached as Schedule MWM-1R is a copy of a rejection letter received from
19 FSCB.

20 **Q. AS A PART OF THE FINANCING EFFORTS YOU DESCRIBED IN YOUR
21 DIRECT TESTIMONY, DID CSWR MORE RECENTLY APPROACH FSCB IN
22 REGARD TO POSSIBLE FINANCING FOR ELM HILLS?**

1 A. Yes.

2 **Q. WHO WAS RESPONSIBLE FOR THIS CONTACT?**

3 A. I was.

4 **Q. DID YOU SPEAK DIRECTLY TO ANYONE AT FSCB?**

5 A. Yes. I spoke to the Market President of FSCB in October 2020. He indicated
6 that FSCB had made loans to TDL in the past and those loans were made to the
7 utility based on specific circumstances at that site. FSCB further indicated that
8 the bank has very little experience in the industry generally and as a result is not
9 interested in making more regulated utility water and sewer loans.

10 **Q. DID FSCB AGAIN FORMALLY REJECT CSWR'S REQUEST FOR A LOAN?**

11 A. Yes. Attached as Schedule MWM-2R is the letter that I received recently that
12 memorializes that rejection.

13 **Q. DID FSCB PROVIDE A REASON FOR ITS REJECTION?**

14 A. Yes. The letter states that it declined the application "due to the type of business
15 and the bank's overall lack of in depth experience and comfort in this industry."

16 **Q. BASED UPON YOUR EXTENSIVE EXPERIENCE IN DEALING WITH**
17 **COMMERCIAL LENDERS, DO YOU HAVE ANY THEORY AS TO WHY FSCB**
18 **PREVIOUSLY MADE THE LOANS TO TDL?**

19 A. Based on my discussions with the Market President of FSCB it was clear to me
20 that the bank has a long history with the Terre Du Lac community. In fact, FSCB
21 has a branch location at 74 Rue Terre Bonne in Bonne Terre, Missouri, which is
22 at one of the main entrances to the Terre Du Lac community (off 47th Hwy).

1 Based on the rejection letter, my conversation with the Market President, and Mr.
2 Cox's previous interaction with FSCB it is my opinion that FSCB made loans into
3 an industry business segment that the bank does not want to be further involved
4 in, primarily as a result of the bank's deep economic involvement in the Terre Du
5 Lac community. It seems clear to me that FSCB does not want to be in the
6 regulated utility lending business, that the loans FSCB made were in a unique
7 situation that was not solely based on the credit value of TDL utilities, FSCB
8 would like to get out of the regulated utility lending business, and FSCB is not
9 interesting in loaning Elm Hills or any other water and sewer IOU money.

10 **ROE RECOMMENDATION**

11 **Q. OPC WITNESS MURRAY HAS RECOMMENDED A RETURN ON EQUITY**
12 **(ROE) OF 9.25% (UNADJUSTED) IN THIS CASE. (P. 24, LINE 6). HAVE YOU**
13 **HAD A CHANCE TO COMPARE THIS RECOMMENDATION TO AWARDED**
14 **ROE FOR OTHER MISSOURI UTILITIES?**

15 A. Yes, I have.

16 **Q. WHAT HAVE YOU FOUND?**

17 A. I reviewed the data found in **Schedule JC-1R**, which accompanies Mr. Cox's
18 rebuttal testimony. That table compares Elm Hills to most of Missouri's large,
19 investor-owned utilities ("IOU") in terms of number of customers served, annual
20 revenue, and net income. In each of those categories, the other Missouri IOUs
21 dwarf Elm Hills. Each of the other IOUs also shows a positive net income in its
22 most recent annual report, many in the tens and hundreds of millions of dollars.

1 Taken together, the factors shown on the table make each of those utilities much
2 less risky than Elm Hills. Yet, with the exception of The Empire District Electric
3 Company, the most recent Commission authorized ROE exceeds Mr. Murray's
4 unadjusted recommended ROE for Elm Hills.

5 **Q. DOES MR. MURRAY'S UNADJUSTED RECOMMENDATION OF A 9.25% ROE**
6 **MAKE SENSE GIVEN THE RISK ASSOCIATED WITH ELM HILLS AND THE**
7 **AWARDED ROE'S FOR THE CITED UTILITIES?**

8 A. I have no idea how Mr. Murray could conclude that Elm Hills, a historically
9 struggling and undercapitalized utility, is not riskier than the above cited
10 companies and thus appropriately warrants a higher return on equity than the
11 cited companies.

12 **Q. OPC WITNESS MURRAY TESTIFIED IN FILE NO. ER-2019-0374 (THE**
13 **EMPIRE DISTRICT ELECTRIC COMPANY) THAT THE COMPANY**
14 **WARRANTED A 9.25% ROE. AT THE TIME OF HIS REBUTTAL TESTIMONY**
15 **IN THAT CASE, THE EMPIRE DISTRICT ELECTRIC COMPANY HAD A**
16 **BALANCE SHEET SHOWING \$1.68 BILLION IN CAPITALIZATION (\$855**
17 **MILLION IN EQUITY AND \$827 MILLION IN DEBT). DO YOU UNDERSTAND**
18 **WHY MR. MURRAY WOULD RECOMMEND THE SAME RATE FOR ELM**
19 **HILLS?**

20 A. I remain unable to explain Mr. Murray's assertions and assumptions given higher
21 rates for much, much, much more financially stable, and less financially
22 challenged regulated utilities. Furthermore, I am not aware of large existing

1 environmental compliance issues that threatened Empire's ability to provide safe
2 and reliable service to its customers. Elm Hills has faced numerous
3 environmental, health, safety, and reliability issues when the subject assets were
4 acquired, as outlined in Mr. Cox's testimony.

5 **Q. OPC WITNESS MURRAY FURTHER COMPARES ELM HILLS TO DEBT**
6 **RECEIVED BY SUMMIT NATURAL GAS OF MISSOURI, INC. AND**
7 **SUGGESTS THAT SNGMO'S 2% EARNED ROE IS SIMILAR TO THAT OF**
8 **ELM HILLS. (P. 6, LINES 3-13). WHAT IS ELM HILLS' CURRENT EARNED**
9 **ROE?**

10 A. Elm Hills' Annual Report for 2019 shows that Elm Hills had a net loss of
11 (\$392,023) in 2019, had equity of \$372,728, as of December 31, 2018, and
12 equity of \$380,080, as of December 31, 2019. This suggests that Elm Hills'
13 earned ROE at December 31, 2019, was a negative 104%. If you exclude
14 interest expense, depreciation and amortization from the 2019 Annual Report,
15 Elm Hills had a cash operating loss of (\$94,134). This cash operating loss does
16 not include any corporate overhead allocations. If we used the overhead
17 allocations that are currently not contested in the current Elm Hills stipulated
18 agreement between the company and Staff then the cash operating loss for Elm
19 Hills would be increased to (\$144,194). This means the Cash ROE for Elm Hills
20 is negative 38%. So regardless of how one calculates Elm Hills ROE or its
21 operating cash losses, I do not understand how or why Mr. Murray believes that
22 Elm Hills ROE should be similar to SNGMO's ROE of 2%.

1 **Q. HOW LONG WILL THAT SITUATION CONTINUE?**

2 A. I don't know, but it will continue at least until new rates from this case go into
3 effect, and then until Elm Hills has received those additional revenues for some
4 period into the future.

5 **Q. ARE YOU FAMILIAR WITH SNGMO?**

6 A. Only from my review of its annual report.

7 **Q. HOW DO ELM HILLS AND SNGMO COMPARE IN REGARD TO**
8 **CUSTOMERS, REVENUES, AND ASSETS AS OF THE 2019 ANNUAL**
9 **REPORTS?**

10 A. I continue to be confused as to why Mr. Murray compares Elm Hills to other
11 regulated entities that clearly (as shown below) have little to no economic
12 similarity in scale. The following table compares customers, revenues, and
13 assets as of December 31, 2019:

	ELM HILLS	SNGMO
Customers – residential	475	15,548
Customers – commercial	5	3,416
Total Customers	480	18,964
Revenues (2019)	\$ 137,392	\$ 32,046,797
Assets (2019)	\$ 2,280,917	\$ 263,835,525

14

15 **Q. ARE THERE ANY OTHER FACTS THAT DISTINGUISH THE TWO**
16 **COMPANIES?**

1 A. Yes. Not only do the above figures show that these two companies are not
2 remotely similar from a financial perspective, but their backgrounds are also
3 much different. All the water customers in the current Elm Hills rate case, and
4 almost half of the sewer customers, were formerly Missouri Utilities customers.
5 Missouri Utilities was a utility that was in a state appointed receivership for
6 almost 14 years when the assets were purchased by Elm Hills. Those
7 receivership customers at one point had to “pass the hat” to collect cash among
8 residents to fix a well pump in order to restore basic water service prior to the
9 acquisition by Elm Hills. A \$32,046,797 annual revenue gas company is just not
10 comparable to this situation.

11 **Q. OPC WITNESS MURRAY PURPORTS TO EVALUATE THE CREDIT METRICS**
12 **THAT STANDARD & POOR’S (S&P) TYPICALLY ANALYZES IN ASSESSING**
13 **THE CREDIT QUALITY OF UTILITY COMPANIES. (P. 6-10). DO YOU AGREE**
14 **WITH MR. MURRAY’S EVALUATION?**

15 A. No.

16 **Q. WHY NOT?**

17 A. S&P does not typically “rate” a utility system the size of Elm Hills; and, even if it
18 would, the cost of such a rating would be prohibitive for the Elm Hills customer
19 base. Even if S&P would rate this company, Mr. Murray ignores the actual Elm
20 Hills financials and attributes a theoretical rating that would never in reality apply
21 to Elm Hills. Elm Hills has assets of \$2.28MM. As shown in the company’s most
22 recent Annual Report, Elm Hills is losing \$392,000 a year. Even if you exclude

1 interest expense, depreciation and amortization from that total, Elm Hills still had
2 a cash operating loss of (\$94,134). This is a net operating loss. Elm Hills has
3 been running at a cash loss for three years. If S&P did a bond rating on Elm Hills
4 (which S&P would not, because Elm Hills' asset and revenue size), the bond
5 rating would be in the junk bond territory. The only way Elm Hills is able to
6 secure bank financing is by having the parent company CSWR guarantee the
7 debt. Mr. Murray has to omit any analysis of Elm Hills current and historical
8 financial performance and try to look past the rate case to which he is currently
9 testifying in opposition to create a hypothetical situation where Elm Hills would be
10 cash flow positive. Only in that hypothetical can he create a scenario where S&P
11 would give Elm Hills a better bond rating. In a standard S&P bond rating, the
12 agency cannot do a future hypothetical bond rating, all bond ratings are based
13 upon trailing economic results, thus further demonstrating how perplexing Mr.
14 Murray's conclusions are.

15 **Q. MR. MURRAY REFERS TO THE 2016 SMALL WATER AND SEWER RATE**
16 **CASE METHODOLOGY THAT THE STAFF USED WHEN HE WAS A STAFF**
17 **MEMBER. (P. 6, LINES 20-25). HAVE YOU REVIEWED THAT**
18 **METHODOLOGY?**

19 **A.** Yes. I reviewed the Small Utility Return on Equity (ROE)/Rate of Return (ROR)
20 Methodology (Methodology) prepared by the Financial Analysis department of
21 the Missouri Public Service Commission (updated January 2016) of which Mr.
22 Murray was one of three authors.

1 **Q. WHAT OBSERVATIONS DID YOU MAKE?**

2 A. First, that Methodology specifically “allows FA (Financial Analysis Department) to
3 estimate a credit rating based on an assessment of the business and financial
4 risk of the small water and sewer utility.” The Methodology goes on to provide
5 examples of how Staff may determine its recommendations for ROE.
6 Specifically, the Methodology calls for staff using various publicly available bond
7 data, to which the Staff may add “risk premium.” The Methodology presented
8 two examples, both of which added a risk premium of 4% to arrive at a “cost of
9 equity recommendation.”

10 **Q. PLEASE DESCRIBE THOSE EXAMPLES.**

11 A. One example included a company that had actual debt available to it, and the
12 second example used a hypothetical capital structure based on a proxy group
13 capital structure from a Missouri-American Water Company case. The Staff’s
14 examples derived ROE’s of 9.42% and 11%, respectively. In the latter, higher
15 rate example, the Staff explained that “[b]ecause the company is a privately-
16 owned enterprise that doesn’t issue its own debt or its parent company doesn’t
17 issue debt, you add a 4% risk premium to arrive at a cost of equity
18 recommendation.”

19 **Q. HOW DO THOSE EXAMPLES COMPARE TO ELM HILLS?**

20 A. Elm Hills is unable to issue its own debt. Elm Hills has no commercial bank debt
21 available to it outside of a CSWR cooperate guarantee, and Elm Hills’ asset base
22 has a significantly higher risk profile than Missouri American Water and any

1 proxy group of similar sized utilities. All of these factors according to Mr.
2 Murray's co-authored paper suggest Elm Hills should receive a risk premium.

3 **Q. IF THAT RISK PREMIUM IS USED, WHAT WOULD BE THE RESULTING ROE**
4 **RECOMMENDATION USING THE STAFF METHODOLOGY AND HOW DOES**
5 **THAT COMPARE TO THE ROE RATE REFLECTED IN THE NONUNANIMOUS**
6 **DISPOSITION AGREEMENT?**

7 A. The Methodology is reasonably straightforward. In its simplest form, the Staff
8 suggest that one could use certain data as a proxy for consideration when
9 evaluating utility ROE requests. In this case, the Staff estimated Elm Hills to be a
10 'highly leveraged/satisfactory' entity for estimating a theoretical credit rating of
11 B+. The Staff cited this credit rating corresponds to a theoretical debt cost of
12 7.51%, staff then added the Methodology risk premium of 4% to arrive at its
13 recommendation of an ROE of 11.51%. At the time of the signed Disposition
14 Agreement, CSWR and Elm Hills had been unsuccessful in obtaining bank debt
15 and thus the Staff used the above Methodology.

16 Since then, CSWR and Elm Hills have been successful in obtaining third-
17 party debt offers. The lowest of the two offers reflects an annual interest rate of
18 9%. If you use the Staff's Methodology of using an accurate debt interest rate
19 and adding a 4% premium to arrive at an appropriate ROE estimate, that would
20 result in an ROE equivalent of 13% (9% plus 4% premium).

21 **Q. OPC WITNESS MURRAY SUGGESTS THAT THE EXPERIENCE WITH ELM**
22 **HILLS' AFFILIATES INDICATES THAT "THE RECOVERY OF INVESTMENT**

1 **AND COSTS FROM EXISTING CUSTOMERS HAS BEEN FAIRLY CERTAIN.”**
2 **(P. 6, LINES 9-11). DO YOU AGREE WITH THIS STATEMENT?**

3 A. No. In fact, the returns presented by Mr. Murray as “fairly certain” all revolve
4 around the regulated returns of two of CSWR’s five regulated Missouri affiliates.
5 Conveniently, Mr. Murray does not do a detailed financial analysis of the returns
6 of Indian Hills Utility Operating Company, Inc. (Indian Hills); Confluence Rivers
7 Utility Operating Company, Inc. (Confluence Rivers); Osage Water Utility
8 Operating Company, Inc. (Osage Water); and, in the current case for Elm Hills.

9 **Q. WHAT IS MISSING FROM WITNESS MURRAY’S ANALYSIS OF RECOVERY**
10 **OF INVESTMENT AND COSTS?**

11 A. Mr. Murray ignores the regulatory lag from acquisition to rate recovery and the
12 associated reinvestment required when actively acquiring and investing in
13 distressed water and wastewater utilities.

14 **Q. WHAT ARE SOME EXAMPLES OF THE LAG THAT OPC WITNESS MURRAY**
15 **DOES NOT FACTOR INTO HIS “FAIRLY CERTAIN” STATEMENT?**

16 A. First, Indian Hills currently has expenses and capital investments that exceed
17 those built into its rates. Those expenses are associated with continued
18 reinvestment to insure the provision of safe and reliable service.

19 Another example is the recent Confluence Rivers rate case where rates
20 were held in abeyance voluntarily by CSWR in order to allow customers to deal
21 with the ongoing pandemic. Moreover, even Confluence River’s current rate
22 does not reflect investments that were in progress during the rate case but are

1 now in service and used and useful. No recovery will be provided for those
2 investments until a future rate case. In addition, the recently acquired Port Perry
3 system will run at an operating loss for some time and require investment capital
4 and ongoing operational investment to provide safe and reliable service.

5 Osage Water is also experiencing this regulatory lag. Osage Water
6 Company was in a state appointed receivership and was eventually taken
7 through a Chapter 11 bankruptcy prior to Osage Water's investment. Osage
8 Water is currently investing in necessary improvements because Osage Water
9 has large existing environmental, health, safety, and reliability issues. Osage
10 Water is currently operating at an operational loss and will continue to do so for
11 some time.

12 Finally, Elm Hills is currently operating at an annual loss that will not abate
13 until the Commission grants rate relief. These issues of lag are not reflected in
14 Mr. Murray's statement that "returns have been fairly certain."

15 **Q. HAVE OPERATIONAL LOSSES INCURRED DURING PERIODS OF LAG**
16 **EVER BEEN RECOVERED BY THE CSWR GROUP OF COMPANIES?**

17 A. No. These losses are borne by the companies and are part of the reason that
18 traditional capital markets are closed to small failing water and wastewater
19 utilities

20 **Q. HAS CSWR MADE A CASH PROFIT IN THE STATE OF MISSOURI ON A**
21 **CONSOLIDATED BASIS?**

1 A. No. In fact, it is the nature of CSWR's niche that it will continue to operate at a
2 net loss in Missouri for some time into the future as the companies continue to
3 acquire and invest in distressed small utilities.

4 **Q. IS THIS CASH LOSS A BENEFIT TO MISSOURI CUSTOMERS?**

5 A. Yes, to some extent. The ongoing operational losses associated with
6 investments and improvements in operations result in improved service are
7 borne by the companies rather than customers during the lag periods.

8 **Q. DID OPC WITNESS MURRAY ACCURATELY REFLECT CSWR'S RETURN
9 POSITION IN HIS ANALYSIS?**

10 A. He did not. Mr. Murray's approach omitted recognition of the facts described
11 above, to include the actual cash spent to date in Missouri. The impact of this is
12 to artificially raise the ongoing return characteristics of CSWR companies and,
13 accordingly, to lower Mr. Murray's debt, ROE, and rate of return
14 recommendations.

15 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16 A. Yes.


AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) ss

I, Martin M. Moore, state I am the Chief Financial Officer of Elm Hills Utility Operating Company, Inc.; the attached Rebuttal Testimony was prepared by me or under my direction and supervision; and, the answers to the questions posed in that testimony are true to the best of my knowledge, information and belief.



Subscribed and sworn to before me this 9th day of November 2020.

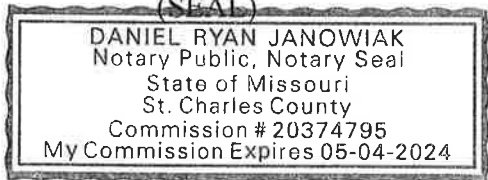


Notary Public

My Commission Expires:

5/4/24

(SEAL)





First State Community Bank

February 27, 2018

Central States Water Resources
500 Northwest Plaza Drive, Ste 500
St Ann, MO 63074

To Josiah Cox:

Thank you for your recent application for \$918,998 in debt financing collateralized by the Indian Hills water utility assets and operating revenue cash flow. Unfortunately at this time First State Community Bank needs to pass on this proposal due to the type of business and the bank's overall lack of in depth experience and comfort in this industry. If you have any further questions please let me know at the phone number below.

Sincerely,

Brad Schuster
Market President, Wright City
First State Community Bank
(636) 745-3337

Success Starts Here.

20 Wildcat Dr. ♦ P.O. Box 456 ♦ Wright City, MO 63390
(636) 745-3337 Phone ♦ (636) 745-3304 Fax



First State Community Bank

SCHEDULE MWM-2R

October 29, 2020

Central States Water Resources
500 Northwest Plaza Drive, Ste 500
St Ann, MO 63074

To Marty Moore:

Thank you for your recent application for \$1,848,160 in debt financing to support refinancing of costs to date to capitalize the Elms Hills Utility Operating Company. Unfortunately at this time First State Community Bank needs to pass on this proposal due to the type of business and the bank's overall lack of in depth experience and comfort in this industry. If you have any further questions please let me know at the phone number below.

Sincerely,

Brad Schuster
Market President, Wright City
First State Community Bank
(636) 745-3337

Success Starts Here.

20 Wildeat Dr. • P.O. Box 456 • Wright City, MO 63390
(636) 745-3337 Phone • (636) 745-3304 Fax