

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

In the Matter of the Application of)
Indian Hills Utility Operating Company, Inc.,)
to Acquire Certain Water Assets of) File No. _____
I.H. Utilities, Inc. and, in Connection Therewith,)
Issue Indebtedness and Encumber Assets.)

**APPLICATION AND,
IF NECESSARY, MOTION FOR WAIVER**

COMES NOW Indian Hills Utility Operating Company, Inc (“Indian Hills Utility Operating Company”) and, pursuant to Sections 393.180 and 393.190, RSMo 2000, and 4 CSR 240-2.060, 3.605, 3.615, and 4.020(2)(B), states the following to the Missouri Public Service Commission (“Commission”) as its Application and, if necessary, Motion for Waiver:

BACKGROUND INFORMATION

1. Indian Hills Utility Operating Company is a Missouri corporation with its principal office and place of business at 500 Northwest Plaza Drive, Suite 500, St. Ann, MO 63074. Indian Hills Utility Operating Company is a Missouri corporation in good standing. A certified copy of Indian Hills Utility Operating Company’s certificate of good standing is attached as **Appendix A** and incorporated herein by reference. Indian Hills Utility Operating Company has been formed for the purpose of providing water service to the public in the area currently served by I.H. Utilities, Inc. Indian Hills Utility Operating Company intends to be a “water corporation” and a “public utility” as those terms are defined in Section 386.020, RSMo, and will be subject to the jurisdiction and supervision of the Commission as provided by law. Indian Hills Utility Operating Company has no overdue Commission annual reports or assessment fees. There is no pending action or final unsatisfied judgment or decision against Indian Hills Utility

Operating Company from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Joint Application.

2. I. H. Utilities, Inc. is an administratively dissolved Missouri corporation. Its mailing address is 2538 Allegheny, Cuba, Missouri 65453. A copy of I. H. Utilities, Inc.'s Forfeiture of Charter, or Authority To Do Business is attached as Appendix B. I. H. Utilities, Inc. is the holder of a Certificate of Convenience and Necessity from the Commission to operate a water utility in an area of Crawford County, Missouri. I. H. Utilities, Inc. currently provides water service to approximately 716 customers. I. H. Utilities, Inc. is a "water corporation" and a "public utility," as those terms are defined in Section 386.020 RSMo, and is subject to the jurisdiction and supervision of the Commission as provided by law. Indian Hills Utility Operating Company does not know the status of I. H. Utilities, Inc.'s Commission assessment fees.

3. Communications in regard to this Joint Application should be addressed to the undersigned counsel and:

Indian Hills Utility Operating Company, Inc.
500 Northwest Plaza Drive, Suite 500
St. Ann, MO 63074

Attention: Josiah Cox, President
jcox@cswrgroup.com
Phone (314) 238-7316

I. H. Utilities, Inc.
2538 Allegheny
Cuba, Missouri 65453

Attention: Ms. Lois Stanley, Statutory Trustee
jlstan@centurytel.net
Phone: (573) 885-3320

THE TRANSACTION

4. Indian Hills Utility Operating Company and I.H. Utilities, Inc. have entered into an Agreement For Sale of Water System, dated June 1, 2015 (“Agreement”), a copy of which is attached as **Appendix C-HC** and incorporated herein by reference. Appendix C-HC has been identified as Highly Confidential in accordance with Commission Rule 4 CSR 240-2.135, as it contains market specific information and information representing strategies employed in contract negotiations. Pursuant to the Agreement, Indian Hills Utility Operating Company proposes to purchase substantially all of the water assets of I.H. Utilities, Inc., as specifically described in the Agreement, under the terms and provisions further described in the Agreement. Such assets include the I.H. Utilities, Inc. Certificate of Convenience and Necessity granted by the Missouri Public Service Commission to I.H. Utilities, Inc. in Case No. 15,389.

5. Because I.H. Utilities, Inc. is a water corporation doing business in the State of Missouri, it is subject to the provisions of Section 393.190.1, RSMo, which states, in pertinent part, that “no . . . water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public . . . without having first secured from the Commission an order authorizing it so to do.”

ADDITIONAL INFORMATION

6. Indian Hills Utility Operating Company’s verification of authority authorizing the purchase of the subject assets and related transactions contemplated by the Agreement is attached as **Appendix D** and incorporated herein by reference. I.H. Utilities, Inc.’s verification of authority authorizing the sale of the subject assets and related transactions contemplated by the Agreement is attached as **Appendix E** and incorporated herein by reference

7. A balance sheet and income statement with adjustments showing the results of the acquisition of the property for Indian Hills Utility Operating Company is attached as **Appendix F-HC** and incorporated herein by reference. Appendix F-HC has been identified as Highly Confidential in accordance with Commission Rule 4 CSR 240-2.135, as it contains market specific information and information representing strategies employed in contract negotiations.

8. The sale of assets should have no impact on the tax revenues of relevant political subdivisions as both Indian Hills Utility Operating Company and I.H. Utilities, Inc. are private entities and their status as taxpaying entities will not change as a result of this transaction.

FUTURE ACTIONS

9. There are six current enforcement issues or schedules of compliance. The first issue is that I.H. Utilities has only one well in service. For drinking water systems serving over fifty homes MDNR's design guides require two drinking water wells. I.H. Utilities lost the ability to run one of its drinking water wells sometime in the past and has functioned with only one well.

The second issue relates to system reliability. Currently, there is no backup power or backup pumping system, nor is there adequate on-site drinking water storage. This system is out of compliance for water reliability.

The third issue is water loss inside the system. MDNR drinking water guides state that water loss inside a drinking water conveyance system should not exceed ten percent of total water extracted from wells. I.H. Utilities currently losses about 30-35% of all the water pumped to internal leakage inside the conveyance lines.

The fourth issue is water pressure inside homes. MDNR current design guides require 35 psi for residential drinking water systems. I.H. Utilities at the back of the lake community currently have around 20 psi.

The fifth is in water systems utilizing booster pumps for system pressure MDNR requires redundant pumps to ensure system reliability at every booster station. Neither booster station at Indian Hills has a second pump in service.

The sixth is MDNR requires nominal storage equal to or greater than one day's average storage. Indian Hills fluctuates from 80,000 gallons per day in the winter period to just over 200,000 gallons in the summer and around Holidays. Average usage for the year is around 125,000 gallons per day while the summer month averages around 180,000 gallons. MDNR typically states that they will not approve a storage tank that doesn't provide at least 1.5 times the average daily flow. With that being said MDNR will require using the summer peak months of July through September which averages right under 180,000 gallons. This equates to 270,000 gallons after the 1.5 multiplier required by MDNR.

In addition, our Engineer believes the existing storage and hydro-pneumatic tanks are failing. The connections to the tanks are failing with visible leakage. These failures could lead to drinking water contamination.

10. Indian Hills Utility Operating Company has examined the water system and believes that it will be necessary to construct a ground storage water tank, remote operations equipment, hydro-pneumatic tank variable frequency pumping equipment upgrades, permanent chlorine disinfection, the repair of known water taps with leaks, a new pitless well head installation, and a new water main installation to connect the ground storage tank to the water distribution system.

11. The estimated cost of such improvements, purchase, and associated soft costs is approximately \$1,700,000. Once completed, it is estimated that the rates will need to be increased by approximately \$69 a month for water service, in order to recover the costs associated with constructing the improvements necessary to bring the water system into regulatory compliance and pay for ongoing operation and maintenance associated with this system.

PUBLIC INTEREST

12. For the following reasons, the proposed acquisition of the specified assets of I.H. Utilities, Inc. and the related transactions are not detrimental to the public interest of the State of Missouri and in fact will be consistent with and will promote the public interest:

A. The assets of I.H. Utilities, Inc. would be acquired by Indian Hills Utility Operating Company and remain subject to the jurisdiction of the Commission; and,

B. Indian Hills Utility Operating Company is fully qualified, in all respects, to own and operate the system currently being operated by I.H. Utilities, Inc. and to otherwise provide safe, reliable and affordable service.

RATEMAKING TREATMENT

13. Indian Hills Utility Operating Company proposes to utilize the I.H. Utilities, Inc. rates, rules and regulations and other tariffs currently on file with and approved by the Commission as P.S.C. MO No. 3 water tariff, until such time as they may be modified according to law.

FINANCING

14. The Company also seeks an order from the Commission granting it the authority to issue up to \$1,500,000 of secured indebtedness. The purpose of this financing will be for the purchase of the assets identified above and to fund the construction necessary to bring the system into regulatory compliance.

15. A certified copy of a Secretary's Certificate noting approval by Indian Hills Utility Operating Company's Board of Directors authorizing the proper officers of the Company to do all things necessary to consummate the financing transactions contemplated by this Application and as more particularly described herein is included as Appendix G and incorporated herein by reference.

16. Indian Hills Utility Operating Company intends to execute a Term Loan. The Term Loan

will be based on monthly principal and interest payments amortized over 20 years. The Term Loan will allow Indian Hills Utility Operating Company to complete the acquisition of the I.H. Utilities, Inc. water system and the construction of a ground storage water tank, remote operations equipment, hydro-pneumatic tank variable frequency pumping equipment upgrades, permanent chlorine disinfection, the repair of known water taps with leaks, a new pitless well head installation, and a new water main installation to connect the ground storage tank to the water distribution system, as required by MDNR. Attached as Appendix H - HC is the term sheet for the Conditional Loan Commitment, which outlines the principal terms of the agreement including the interest rate, applicable fees, and required collateral.

17. The loan will result in a first lien on substantially all of the properties acquired by Indian Hills Utility Operating Company. Consequently, the loan obligations will be secured by a lien or encumbrance on Indian Hills Utility Operating Company's utility franchise, plant, and system that is used to provide service to its customers, and also as an encumbrance against additional plant and assets.

18. Marked as Appendix I-HC and attached hereto and made part hereof for all purposes, are financial statements with adjustments showing the *pro forma* effect of the contemplated financing. Indian Hills Utility Operating Company has no capitalization expenditures for the prior five years. The issue is subject to the fee schedule in section 386.300, RSMo.

19. Subjecting Indian Hills Utility Operating Company's operating properties to the lien will not be detrimental to the public interest, and in fact will be beneficial to the public interest because the public health, safety, and welfare will be served by the ability of Indian Hills Utility Operating Company to obtain financing for the purposes described. The proposed financing transactions will have no material impact on the tax revenues of the political subdivisions in which any of the structures, facilities or equipment of the companies involved are located.

CONTINGENT REQUEST FOR WAIVER

20. This case is not likely to be a contested case within the meaning of Commission rule 4 CSR 240-4.020(2) because previous applications addressing the same issues presented in this filing have generally not become contested proceedings. However, in the event that the Commission nevertheless concludes that the filing of this Joint Application is likely to be a contested case, Applicants request a waiver of the sixty (60) day notice for good cause shown as permitted by Commission rule 4 CSR 240-4.020(2)(A).

21. The reason for this request relates to the nature of an asset purchase negotiation as that which resulted in the execution of the subject Agreement and the filing of this Joint Application. Due to the nature of this particular transaction, this Joint Application has been filed as soon as possible. It would serve no purpose to wait sixty days before filing the application for Commission approval. Accordingly, to the extent that the Commission may find it to be applicable, the parties request a waiver from the provisions of Commission Rule 4 CSR 240-4.020(2) to allow for the filing of this Joint Application.

WHEREFORE, Indian Hills Utility Operating Company respectfully requests that the Commission issue its order:

(A) authorizing I.H. Utilities, Inc. to sell and Indian Hills Utility Operating Company to acquire the assets of I.H. Utilities, Inc. identified herein, to include the certificate held by I.H. Utilities, Inc. or, in the alternative grant Indian Hills Utility Operating Company a new certificate to provide water service in the area now served by I.H. Utilities, Inc.;

(B) authorizing Indian Hills Utility Operating Company and I.H. Utilities, Inc. to enter into, execute and perform in accordance with the terms described in the Agreement attached to this Application and to take any and all other actions which may be reasonably necessary and incidental to the performance

of the acquisition;

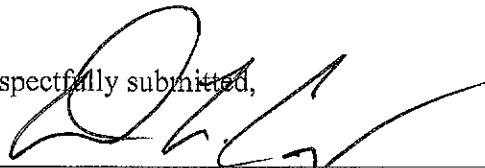
(C) Authorizing Indian Hills Utility Operating Company to enter into, execute and deliver loan agreements as described herein and to incur indebtedness, provided that the aggregate principal amount of all such debt obligations shall not exceed One Million Five Hundred Thousand Dollars (\$1,500,000), pursuant to the terms identified herein;

(D) Authorizing Indian Hills Utility Operating Company to create and make effective a first lien on all of the franchises, certificates of convenience and necessity, plant and system of Indian Hills Utility Operating Company, to secure its obligations under the loan as provided herein;

(E) Authorizing Indian Hills Utility Operating Company to enter into, execute, deliver and perform the necessary promissory notes, loan agreements and other documents necessary to effectuate the described financing transactions; and,

(F) Granting such other relief as may be deemed necessary and appropriate to accomplish the purposes of the Agreement and the Application and to consummate related transactions in accordance with the Agreement;

Respectfully submitted,



Dean L. Cooper, MBE #36592

BRYDON, SWEARENGEN & ENGLAND P.C.

312 E. Capitol Avenue

P.O. Box 456

Jefferson City, MO 65012

(573) 635-7166 telephone

(573) 635-3847 facsimile

dcooper@brydonlaw.com

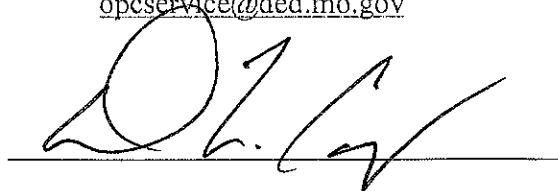
**ATTORNEYS FOR INDIAN HILLS UTILITY
OPERATING COMPANY
COMPANY, INC.**

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on August 25, 2015, to the following:

Office of the General Counsel
Governor Office Building
Jefferson City, MO 65101
staffcounsel@psc.mo.gov

Office of the Public Counsel
Governor Office Building
Jefferson City, MO 65101
opcservice@ded.mo.gov

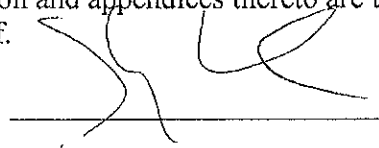


A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to be the initials 'D.H.' followed by a surname, though the full name is not legible.

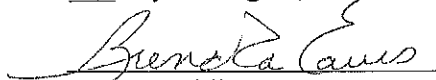
AFFIDAVIT

State of Missouri)
) ss
County of St. Louis)

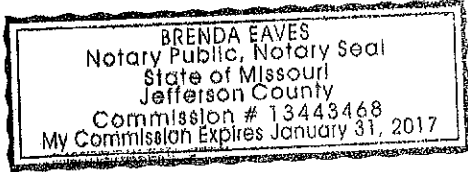
I, Josiah Cox, having been duly sworn upon my oath, state that I am the President of Indian Hills Utility Operating Company, Inc. (Indian Hills Utility Operating Company), that I am duly authorized to make this affidavit on behalf of Indian Hills Utility Operating Company, that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.



Subscribed and sworn before me this 24th day of August, 2015.


Notary Public

My Commission Expires: 1/31/17



APPENDICES

Appendix A	Indian Hills Utility Operating Company Certificate of Good Standing
Appendix B	Forfeiture of Charter or Authority To Do Business
Appendix C	Indian Hills Utility Operating Company Verification of Authority
Appendix D	I. H. Utilities, Inc. Verification of Authority
Appendix E-HC	Agreement For Sale of Water System between Indian Hills Utility Operating Company, Inc. and I. H. Utilities, Inc., dated June 1, 2015 – Highly Confidential
Appendix F-HC	Pro Forma Balance Sheet and Income Statement for Indian Hills Utility Operating Company– Highly Confidential
Appendix G	Secretary’s Certificate Concerning Financing
Appendix H-HC	Conditional Loan Commitment – Highly Confidential
Appendix I-HC	Pro Forma Impacts of Financing – Highly Confidential