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EXHIBIT
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Exhibit No.:
Issue(s): Publicity and Customer Notice/
Debit Acquisition Adjustment/
Additional Standing Offers
to Acquire OWC
Witness/Type of Exhibit: Roth/Rebuttal
Sponsoring Party: Public Counsel
Case No.: WA-2019-0185

REBUTTAL TESTIMONY

OF

KERI ROTH

Submitted on Behalf of the Office of the Public Counsel

OSAGE UTILITY OPERATING COMPANY, INC.

CASE NO. WA-2019-0185

**

**

Denotes Confidential Information that has been Redacted

August 13, 2019

OPC Exhibit No. 202
Date 9-18-17 Reporter BSB
File No. WA-2019-0185

Non-Proprietary

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Osage Utility Operating Company, Inc.)
to Acquire Certain Water and Sewer)
Assets and for a Certificate of)
Convenience and Necessity)

Case No.: WA-2019-0185 &
SA-2019-0186

AFFIDAVIT OF KERI ROTH

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Keri Roth, of lawful age and being first duly sworn, deposes and states:

1. My name is Keri Roth. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Keri Roth

Keri Roth
Public Utility Accountant III

Subscribed and sworn to me this 13th day of August 2019.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13764037

Jerene A. Buckman

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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REBUTTAL TESTIMONY
OF
KERI ROTH
OSAGE UTILITY OPERATING COMPANY, INC.
CASE NO. WA-2019-0185

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Public Utility
6 Accountant III.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits and examinations of the books and records of public
11 utilities operating within the state of Missouri. I have performed audits in water, sewer,
12 electric and gas cases and have performed audits or accounting analysis in acquisition cases,
13 complaint cases, and rate cases.

14 **Q. Please describe your educational background.**

15 A. I graduated in May 2011 from Lincoln University in Jefferson City with a Bachelor of Science
16 Degree in Accounting.

17 **Q. Have you received specialized training related to public utility accounting?**

1 A. Yes. In addition to being employed by the OPC since September 2012, I have also attended
2 the NARUC Utility Rate School held by Michigan State University.

3 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
4 **(“Commission” or “PSC”)?**

5 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in
6 which I have submitted testimony.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Missouri Public
9 Service Commission Staff (“Staff”) witness, Ms. Natelle Dietrich, regarding Staff’s
10 Memorandum filed as part of Staff’s Recommendation regarding its position on Osage Utility
11 Operating Company, Inc.’s (“OUOC”) application to acquire Osage Water Company
12 (“OWC”) and Reflections Condominiums (“Reflections”) water and sewer systems;
13 specifically, the Publicity and Customer Notice section of Staff’s Memorandum. I will also
14 respond to OUOC’s witness, Mr. Josiah Cox, and Ms. Dietrich regarding OUOC’s request for
15 a debit acquisition adjustment.

16 **II. STAFF MEMORANDUM – PUBLICITY AND CUSTOMER NOTICE**

17 **Q. What does Staff’s Memorandum state regarding publicity and customer notice?**

18 A. Staff’s Memorandum states, “According to the OUOC, initial customer notifications were
19 mailed during the week of March 11, 2019. A sample letter was provided by OUOC, which
20 advises customers that rates will not change as a result of this acquisition however, the
21 application states that the current rates do not reflect current costs and a rate increase will be
22 necessary following substantial investment into repairs and upgrades of these water and

1 wastewater systems. As of the date of this report, zero public comments have been entered in
2 the Commission's Electronic Filing Information System concerning this case."¹

3 **Q. Did OPC request a copy of the customer notification provided by OUOC to Staff as**
4 **stated previously in Staff's Memorandum?**

5 A. Yes, OPC data request 0027 requested Staff to provide a copy of the initial customer notice if
6 a copy was received by Staff.

7 **Q. Did OPC receive a copy of the customer notice from Staff?**

8 A. No. Staff stated in its response to OPC data request 0027 that Staff did not receive a copy of
9 the initial customer notice, as shown in Schedule KNR-2, which is inconsistent with Staff's
10 Memorandum stating a sample letter was provided by OUOC.² Staff also states it believes a
11 copy of the notice was provided to OPC in data request 1106.

12 **Q. Did OPC request a copy of the customer notification from OUOC?**

13 A. Yes. OUOC responded to OPC data request 1106 with a copy of the customer notification,
14 attached as Schedule KNR-3.

15 **Q. Has OPC reviewed the customer notice prepared and sent out by OUOC?**

16 A. Yes.

17 **Q. Does OPC take issue with any statements contained inside the Staff Memorandum**
18 **related to the OUOC notice?**

19 A. Yes. OPC takes issue with three specific items discussed in the Publicity and Customer Notice
20 section of Staff's Memorandum attached to Ms. Dietrich's direct testimony.

¹ Direct Testimony, Natelle Dietrich, Staff Memorandum, page 23

² Direct Testimony, Natelle Dietrich, Staff Memorandum, page 24

1 **Q. Please describe OPC's first issue with Staff's Memorandum regarding "Publicity and**
2 **Customer Notice" after reviewing the customer notification provided by OUOC.**

3 A. First, as previously mentioned, Staff states in its Memorandum that a sample letter of the
4 customer notification was provided to Staff, but responded to OPC data request 0027 that
5 Staff did not receive a copy of the customer notice. This is not consistent with statements
6 provided in Staff's Memorandum.

7 **Q. Please describe OPC's second issue with Staff's Memorandum regarding "Publicity and**
8 **Customer Notice" after reviewing the customer notification provided by OUOC.**

9 A. Second, Staff's states in its Memorandum that the sample letter provided to Staff advised
10 customers that rates will not change as a result of the acquisition, but the application filed by
11 OUOC with the Missouri Public Service Commission states a rate increase will be necessary
12 following substantial investment of the water and sewer systems.

13 Staff is correct in stating the customer notice explained that customer rates will not change as
14 a result of the acquisition. However, the notice does not provide customers information
15 regarding how to access OUOC's application with the Missouri Public Service Commission.
16 Therefore, customers have not been made aware of the likely rate increase to occur after
17 substantial investment has been made in the water and sewer systems. The customer notice
18 only explains that all necessary repairs and upgrades to provide safe and reliable service to
19 the community will be made if the purchase is approved the Missouri Public Service
20 Commission. This is misleading to customers.

21 **Q. Did OUOC's customer notice provide sufficient information informing customers how**
22 **to file public comments with the Missouri Public Service Commission?**

23 A. No. The only information provided about the Missouri Public Service Commission is the
24 official website www.psc.mo.gov with zero instructions of how to follow the docket or
25 provide public comments.

1 **Q. Did Staff make any statements regarding public comments?**

2 A. Yes. Staff explains in its Memorandum that zero public comments have been filed as of the
3 date of the Staff report, which is OPC's third issue.

4 If Staff had actually reviewed the sample letter it stated was provided by OUOC, Staff should
5 have noticed that the notification contained no information informing customers how to file
6 public comments in the case. Therefore, it is unlikely that customer comments will be filed.
7 Customers have not been provided the proper information to voice their opinions regarding
8 OUOC's application.

9 **Q. Please summarize OPC's position regarding Staff's Memorandum regarding "Publicity
10 and Customer Notice."**

11 A. It is unclear if Staff actually reviewed a copy of the notice. Staff appears to be under the
12 impression that customers could have easily filed customer comments in the case and would
13 know that a rate increase is likely in the future. However, OPC's review of the notice provided
14 by OUOC in response to OPC data request 1106, clearly shows no information was provided
15 to customers regarding how to file a customer comment, or that a customer comment could
16 be filed, and no information was provided to customers regarding how to view the application
17 filed by OUOC, which indicated substantial investment would result in a rate increase.
18 OUOC only informed customers that repairs would be made to ensure safe and reliable
19 service, with no indication of how those repairs will be paid, which is misleading to customers.
20 OUOC's customer notification states, "For information regarding the Missouri Public Service
21 Commission including its regulation of utilities you may visit its website at:
22 www.psc.mo.gov." This statement is very vague and provides no guidance to customers.

23 **III. DEBIT ACQUISITION ADJUSTMENT**

24 **Q. Please describe the debit acquisition adjustment requested by OUOC.**

1 A. OUOC has requested a debit acquisition adjustment under 4 CSR 240-10.085 Incentives for
2 Acquisition of Nonviable Utilities. Per the rule, a debit acquisition adjustment is an
3 adjustment to a portion or all of an acquiring utility's rate base to reflect a portion or all of the
4 excess acquisition cost over depreciated original cost of the acquired system.³

5 **Q. What is the amount of the debit acquisition adjustment requested by OUOC?**

6 A. OUOC has not requested a specific amount. However, Mr. Cox states in his direct testimony,
7 "OUOC requests...a debit acquisition adjustment equal to the difference between the total
8 purchase prices and the total rate base values for the OWC and Reflections systems."⁴

9 **Q. Has Staff calculated a recommended debit acquisition adjustment for OUOC?**

10 A. Yes.

11 **Q. Please describe Staff's calculation.**

12 A. Staff has calculated the debit acquisition adjustment based on the combined purchase prices
13 of the OWC and Reflections system of ** **. Staff calculated rate base of the OWC
14 systems at December 31, 2018 to be \$341,508. Staff proposes the rate base value of the
15 Reflections systems be set at \$313,440, provided by OUOC in its Asset Valuation Report⁵,
16 attached as Schedule KNR-4 - Confidential, as of December 31, 2018. Based on the values
17 above, Staff proposes the debit acquisition adjustment be the difference between the combined
18 purchase prices and combined rate base values, equaling ** **. ⁶

19 **Q. Please describe the debit acquisition adjustment amount if reviewed by each system**
20 **individually.**

³ 4 CSR 240-10.085(1)(B)

⁴ Direct Testimony, Josiah Cox, page 24, lines 8 – 10

⁵ OUOC response to Staff data request 0013

⁶ Direct Testimony, Natelle Dietrich, Staff Memorandum, pages 21 - 22

1 A. The difference between the purchase price of the OWC systems, \$800,000, and Staff's
2 calculated rate base of \$341,508, is \$458,492.

3 The difference between the purchase price of the Reflections systems, ** **, and
4 OUOC's rate base using its Asset Valuation Report⁵, \$313,440, is ** **.

5 **Q. Does OPC have concerns regarding Staff's use of OUOC's Asset Valuation Report to**
6 **determine the rate base value for the Reflections systems?**

7 A. Yes. OPC has concerns about Staff relying on OUOC's numbers for the Reflections systems
8 since OUOC's Asset Valuation Report rate base numbers for the OWC systems⁷ is much
9 more inflated than Staff's calculated numbers using rate base values determined in the most
10 recent rate cases and using annual reports to update rate base values.⁸ However, Staff has
11 included a footnote in its Staff Memorandum that rate base values reviewed in this case are
12 for information only and subject to change. OPC will review the rate base value further in the
13 next general rate case.

14 **Q. Does OPC have concerns regarding the purchase price paid over the rate base value of**
15 **the OWC systems?**

16 A. Yes.

17 **Q. Please explain OPC's concerns.**

18 A. 4 CSR 240-10.085 Incentives for Acquisition of Nonviable Utilities states that the acquiring
19 utility has the burden of proof to demonstrate that the acquisition would be unlikely to occur
20 without the probability of obtaining an acquisition incentive.⁹ OPC does not believe OUOC
21 has met its burden of proof.

⁷ OUOC response to Staff data request 0016, attached as Schedule KNR-5 - Confidential

⁸ Direct Testimony, Natelle Dietrich, Staff Memorandum, page 21

⁹ 4 CSR 240-10.085(4)(I)

1 **Q. Does Staff believe the acquisitions requested by OUOC would be unlikely to occur**
2 **without the probability of obtaining acquisition incentives?**

3 A. In response to OPC data request 0023, attached as Schedule KNR-6, Staff states it does not
4 take a position, which appears to be another inconsistency with its recommendation that the
5 Commission approve an acquisition adjustment. Per the rule, the acquisition adjustment
6 cannot be approved unless the acquiring utility has met its burden of proof that the acquisition
7 would be unlikely to occur without the probability of obtaining an acquisition incentive. Staff
8 continues to explain that its recommendation is based on an evaluation of each of the criteria
9 of 4 CSR 240-10.085; however, that logic does not seem reasonable considering the history
10 of acquisitions.

11 **Q. Does OUOC's parent company, CSWR LLC ("CSWR"), formerly First Round CSWR,**
12 **LLC, have a history of acquiring failing or troubled systems?**

13 A. Yes. OUOC's response to OPC data request 1108, attached as Schedule KNR-7, explains
14 that to date, CSWR affiliated companies have acquired several failing or troubled systems in
15 Missouri and Arkansas.

16 **Q. Have CSWR affiliates filed dockets in other states to acquire systems?**

17 A. Yes. Mr. Cox explains in his direct testimony that CSWR has acquisition cases pending
18 before the Tennessee Public Utility Commission for three systems, the Kentucky Public
19 Service Commission for eight systems, and the Louisiana Public Service Commission for
20 approximately 170 systems.¹⁰

21 **Q. Is OPC aware of the conditions of the systems in Arkansas, Tennessee, Kentucky, and**
22 **Louisiana?**

¹⁰ Direct Testimony, Josiah Cox, page 5, lines 21 – 23, and page 6, lines 1 – 2

1 A. Yes. Mr. Cox utilizes the words “distressed” and “failing” when describing some repairs to
2 the Arkansas systems.¹¹

3 Also, in Mr. Cox’s pre-filed testimony in Tennessee docket number 19-00062, attached as
4 Schedule KNR-8, he explains his business plan to “acquire and recapitalize failing systems”.¹²
5 Mr. Cox’s pre-filed testimony states:

6 In late 2010, after working on several small, failing water and wastewater
7 systems, I created a business plan to acquire and recapitalize failing systems
8 as investor-owned regulated water and wastewater utility companies.¹²

9 Mr. Cox also states:

10 In 2018, I was able to attract an additional large institutional private equity
11 investor, which allowed me to expand the scope of my business plan beyond
12 Missouri and Arkansas. This new investor is allowing CSWR *to form*
13 *companies for the purpose of acquiring distressed water and wastewater*
14 *systems* in additional states including Tennessee.¹³

15 The same is described in Tennessee docket number 19-00035, attached as Schedule KNR-
16 8.¹⁴

17 The same scenario is also described in Kentucky docket number 2019-00104, attached as
18 Schedule KNR-9:

19 7. CSWR Group was created to acquire and recapitalize failing systems as
20 investor-owned regulated water and wastewater utility companies...In 2018,

¹¹ Direct Testimony, Josiah Cox, page 5, lines 11 - 21

¹² <http://share.tn.gov/tra/orders/2019/1900062a.pdf> - Exhibit 11 - Prefiled Testimony of Josiah Cox, page 2

¹³ <http://share.tn.gov/tra/orders/2019/1900062a.pdf> - Exhibit 11 - Prefiled Testimony of Josiah Cox, page 3
(emphasis added)

¹⁴ <http://share.tn.gov/tra/orders/2019/1900035.pdf> - Exhibit 11 - Prefiled Testimony of Josiah Cox, pages 3 – 4

1 CSWR Group attracted an additional, large institutional private equity
2 investor, enabling the expansion of its business beyond Missouri and
3 Arkansas, and allowing the Group to form affiliates for the purpose of
4 acquiring and professionalizing distressed water or wastewater systems in
5 other states, including Tennessee and Kentucky.¹⁵

6 Additionally, the application in the Kentucky docket states:

7 As typical among systems acquired and then operated by the CSWR Group,
8 many of the transferring utilities are out of compliance with Commission rules
9 and with federal or state pollution laws and regulations. Many do not have the
10 permits required to lawfully operate the systems; most have not adjusted their
11 rates for a decade or more and do not have the financial resources necessary
12 to build, maintain, and replace facilities used to provide service or to bring
13 operations into compliance with rapidly-changing environmental and water-
14 quality regulations.¹⁶

15 Once again, the same scenario is described in the numerous acquisition applications filed in
16 Louisiana dockets.¹⁷ For example, Louisiana docket number S-35282, attached as Schedule
17 KNR-10, states:

18 The affiliated group of which Magnolia and CSWR are members is the type
19 of buyer small system operators like Jones Rolling Ridge have sought out.
20 The group's business plan is to pursue the purchase and recapitalization of

¹⁵ https://psc.ky.gov/psccef/2019-00104/kyunker%40mcbrayerfirm.com/04162019035651/JA_JtApp_with_Exhs_A-N.pdf - Application, page 4, item 7

¹⁶ https://psc.ky.gov/psccef/2019-00104/kyunker%40mcbrayerfirm.com/04162019035651/JA_JtApp_with_Exhs_A-N.pdf - Application, page 5, item 11

¹⁷ <http://lpscstar.louisiana.gov/star/portal/lpsc/page/Dockets/portal.aspx> - Docket Nos. S-35282, S-35284, S-35285, S-35286, S-35287, S-35288, S-35289, S-35290, S-35291, S-35292, S-35293, S-35294, S-35295, S-35296, S-35297

1 small water and wastewater systems, many of which are financially
2 distressed.¹⁸

3 CSWR Group's application additionally states:

4 All the systems CSWR and its affiliates have acquired this far reflect some
5 degree of operational neglect, with several recording numerous, oftentimes
6 ongoing, violations of applicable health and environmental regulations.¹⁸

7 Finally, the application states:

8 The system Magnolia proposes to acquire has, in the past, failed to satisfy one
9 or more health or environmental regulations. As detailed elsewhere in the
10 petition, Magnolia has identified capital investments and expenditures
11 necessary to correct past problems and ensure that in the future the system
12 would be operated in full compliance with all applicable regulations.

13 Similar language is included in every docket filed with the Louisiana Public Service
14 Commission by CSWR. See Schedule KNR-10.

15 **Q. Does Arkansas, Tennessee, Kentucky, or Louisiana have acquisition incentives in place**
16 **for the purchase of non-viable systems?**

17 A. Based on my research, Tennessee, Kentucky, and Louisiana do not have acquisition
18 incentives for the purchase of non-viable systems. The Arkansas systems do not appear to be
19 regulated by the Arkansas Public Service Commission due to revenue thresholds.¹⁹

20 **Q. Considering CSWR's history of affiliates in Missouri, Arkansas, Tennessee, Kentucky,**
21 **and Louisiana acquiring or in the process of acquiring non-viable systems without**

¹⁸ <http://lpscstar.louisiana.gov/star/portal/lpsc/page/Dockets/portal.aspx> - Docket No. S-35282, page 2

¹⁹ http://www.apscservices.info/g_w.asp

1 acquisition incentives, has OUOC met its burden of proof as required in 4 CSR 240-
2 10.085?

3 A. No, OPC is not convinced OUOC has met its burden of proof when considering CSWR's
4 acquisition history. It has been clearly stated in dockets in other states that CSWR's business
5 plan is to acquire failing or distressed water and wastewater systems, which is the same
6 practice seen in Missouri. Neither CSWR, nor OUOC, need or require an acquisition
7 incentive to pursue acquisitions of failing or distressed systems, because such practice is the
8 business plan used in the past and will continue to be in the future.

9 Q. Does OPC have any other reason to believe OUOC has not met its burden of proof as
10 required in 4 CSR 240-10.085?

11 A. Yes. OUOC's purchase price of the OWC systems causes concern for OPC.

12 Q. Please explain.

13 A. As discussed in my affidavit attached to *Public Counsel's Response to Staff Recommendation*
14 *and Memorandum and Request for a Procedural Conference*, CSWR repeatedly raised its bid
15 price to purchase the OWC systems. CSWR was identified as a "Stalking Horse Purchaser"
16 by the bankruptcy Trustee. CSWR and the Trustee negotiated an asset purchase agreement
17 ("APA") in the amount of \$465,000.²⁰ Prior to becoming the "Stalking Horse Purchaser" at
18 some point after October 26, 2017, CSWR submitted bids to the court appointed receiver of
19 OWC as early as 2015,²¹ prior to the acquisition incentive rule becoming effective. CSWR
20 was aware the OWC systems were troubled and distressed long before the acquisition
21 incentive rule was available. Therefore, I am convinced the acquisition would have occurred
22 without the probability of obtaining the incentive. Additionally, CSWR's APA price of
23 \$465,000 when compared to Staff's calculated rate base of \$341,508 originated at

²⁰ Direct Testimony, Natelle Dietrich, Schedule ND-d2, Spencer Fane letter, page 3

²¹ Direct Testimony, Natelle Dietrich, Schedule ND-d2, Spencer Fane letter, page 2

1 approximately 36% over rate base. After continuing to match bids from Missouri American
2 Water Company of \$600,000²² and Public Water Supply District #5 of Camden County,
3 Missouri, Missouri Water Association, Inc., and Lake Area Waste Water Association, Inc. of
4 \$800,000²², see Schedule KNR-11²², CSWR's bid increased to approximately 134% above
5 rate base. CSWR's behavior to repeatedly match higher bids, driving its original bid from
6 \$465,000 up to the final bid of \$800,000 during the bankruptcy bidding process convinces me
7 that the acquisition would occur regardless of a debit acquisition adjustment, or that CSWR
8 would stop matching bids at no number to attempt to collect the largest premium possible on
9 OWC assets at a later date utilizing the new acquisition incentive rule. The fact that there
10 were multiple bidders for the system, willing to purchase the system at a lower price, is a clear
11 indication that the sale would have occurred without the probability of obtaining an
12 acquisition incentive.

13 **IV. ADDITIONAL STANDING OFFERS TO ACQUIRE OWC**

14 **Q. Does Staff acknowledge the other interested interveners in the current case whom are**
15 **interested in acquiring the OWC systems?**

16 **A. No.**

17 **Q. Please explain.**

18 **A.** Staff states in its memorandum, "For its reviews, Staff also considers whether or not other
19 utility entities are available to provide similar service." Per Staff's response to OPC data
20 request 0025, attached as Schedule KNR-12, this language specifically addresses the
21 applicable criteria for investigation into the application for acquisition of Reflections.
22 However, Staff's evaluation of the technical, managerial and financial criteria applied to the
23 application for acquisition of the OWC systems does not include such language. It is unclear
24 to OPC why Staff would consider other available entities for Reflections, which has no

²² Spencer Fane letter Exhibit C – Notice of Auction Results, pages 1 - 3

1 interested interveners, but not consider other available entities for OWC, which has three
2 interested interveners in the current case.

3 **Q. Who are the interested interveners with a standing offer to purchase the OWC systems?**

4 A. Public Water Supply District #5 of Camden County, Missouri, Missouri Water Association,
5 Inc., and Lake Area Waste Water Association, Inc. ("Joint Bidders") have a standing offer to
6 purchase the OWC systems.

7 **Q. Does the offer match OUOC's purchase price of \$800,000?**

8 A. Yes. However, the Joint Bidders believe it is in the ratepayer's best interest that the systems
9 be acquired by them at lower costs. This is explained further in the direct testimony of the
10 Joint Bidders, and OPC urges the Commission to not ignore other available, and potentially
11 cheaper, options. The Joint Bidders are also offering to purchase the systems without the use
12 of an acquisition incentive.

13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.

**CASE PARTICIPATION
OF
KERI ROTH**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086
Hickory Hills Water & Sewer Company, Inc.	WR-2014-0167/SR-2014-0166
Empire District Electric Company	ER-2014-0351
Laclede Gas Company	GO-2015-0178
Missouri Gas Energy	GO-2015-0179
Missouri American Water Company	WR-2015-0301
Empire District Electric Company	ER-2016-0023
Hillcrest Utility Operating Company, Inc.	WR-2016-0064
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202
Moore Bend Water Utility, LLC	WC-2016-0252
Terre Du Lac Utilities Corporation	WR-2017-0110
Indian Hills Utility Operating Company, Inc.	WR-2017-0259
Missouri American Water Company	WR-2017-0285
Gascony Water Company	WR-2017-0343
Liberty Utilities (Midstates Natural Gas) Corp. D/B/A Liberty Utilities	GR-2018-0013
Kansas City Power & Light Company	ER-2018-0145
KCP&L Greater Missouri Operations Company	ER-2018-0146
Spire Missouri, Inc.	GU-2019-0011

Missouri Public Service Commission

Respond Data Request

Data Request No.	0027
Company Name	MO PSC Staff-(All)
Case/Tracking No.	WA-2019-0185
Date Requested	7/15/2019
Issue	General Information & Miscellaneous - Other General Info & Misc.
Requested From	Whitney Payne
Requested By	Keri Roth
Brief Description	Customer Notice
Description	On page 23 of Staff's Memorandum, filed on May 24, 2019, Staff explains than an initial customer notice was mailed by Osage Utility Operating Company, Inc. during the week of March 11, 2019. Did Staff receive a copy of this initial customer notice? If so, please provide a copy.
Response	No, Staff did not receive a copy of the initial customer notice, but believes such copy was provided to OPC in the Company' response to its DR 1106. Data Request Response provided by Curt Gateley (curtis.gateley@psc.mo.gov).
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **WA-2019-0185** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **MO PSC Staff-(All)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **MO PSC Staff-(All)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

CASE NO. WA-2019-0185 – CONFIDENTIAL (** __ **)
OPC DATA REQUESTS 1103-1109
RESPONSES OF OSAGE UTILITY OPERATING COMPANY, INC.
JULY 29, 2019

		[REDACTED]
1106	Please provide a copy of each and every notice mailed to customers regarding the potential acquisition of the water and sewer systems.	Subject to its previously stated objection, a representative copy of the notice mailed to Osage and Reflections customers (per lists provided by the sellers) is attached.
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]



OSAGE
Utility Operating Company
A CSWR Managed Utility

March 12, 2019

RE: Osage Utility Operating Company Inc. is in an acquisition process with the Missouri Public Service Commission to acquire the assets of Osage Water Company

New Osage Utility Customers,

Osage Utility Operating Company, Inc. (Osage Utility), a subsidiary of Central States Water Resources, Inc. (CSWR), filed an asset transfer case with the Missouri Public Service Commission (PSC) to formally purchase your community's water and sewer systems; CSWR is subject to the jurisdiction and supervision of the PSC. If approved by the PSC to purchase, we will make all the necessary repairs and upgrades to provide safe, reliable service to your community.

CSWR currently operates and manages 25 water and/or sewer facilities across Missouri and Arkansas, providing responsible and reliable service. Our licensed, dedicated, experienced and dependable operations and engineering staff are knowledgeable about the maintenance and testing necessary to keep these facilities operating efficiently. There is an emergency toll-free phone line available for reporting water main breaks, sewer overflows, etc. available to you 24 hours a day, 7 days a week.

Osage Water Company, the previous owner of the water and/or sewer facility in your community, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code and has been in receivership, initiated by the Missouri Public Service Commission for the last 18 years.

If the acquisition takes place:

Your water and wastewater utility customer rates will not change.

Current water rates for Osage are:

- 5/8" water meter \$24.76 per month
- 1" water meter \$34.27 per month
- 1 1/2" water meter \$58.80 per month
- 2" meter \$66.98 per month
- 3" meter \$96.19 per month
- 4" meter \$243.89 per month
- The monthly minimum includes 2,000 gallons of water. For metered usage greater than 2,000 gallons - \$ 5.86 per 1,000 gallons

Current sewer rates for Osage are:

- Condominium \$ 29.02 per month
- 5/8" water meter \$ 29.02 per month
- 1" water meter \$ 51.34 per month
- 1/2" water meter \$109.96 per month
- 2" meter \$129.49 per month
- 3" meter \$199.25 per month
- 4" meter \$363.14 per month

Current Reflections rates are:

The water and sewer fee for Reflections residents are \$50/month (currently paid to the condo association)

You will receive a new water and sewer bill in a monthly postcard format. Customer service has a toll-free phone line available for questions about your bill or account status, 8:00 am – 5:00 pm Monday through Friday, and a 24/7 emergency toll-free phone line available for reporting water main breaks, sewer overflows, and other service-related emergencies.

A website will be available for information about our service, including an annual Consumer Confidence Report from the Department of Natural Resources and the PSC approved water and sewer tariffs. The website allows you to start or stop service by submitting an online form. Online bill pay is available for credit card, debit card or e-check payment. There is also an auto-pay function available. Contact through the website to customer service is available 24 hours a day, 7 days a week, with return call or email within 2 business days. Our main office is located at 500 Northwest Plaza Drive, Suite 500, St. Ann, MO and is open from 8:00 am to 5:00 pm Monday through Friday.

If the PSC allows Osage Utility to purchase these systems, Osage Utility will provide safe and clean drinking water and reliable sewer services to your home. We are committed to doing the necessary final improvements to ensure your place of residence has access to safe, clean drinking water and reliable sewer services not only now, but far into the future ensuring the sustainability of the community.

For information regarding the Missouri Public Service Commission including its regulation of utilities you may visit its website at: www.psc.mo.gov.

We look forward to working for you and the community. We hope you find our service and operations' staff attentive.

Sincerely,



Josiah Cox,
President

Case No. WA-2019-0185

Schedule KNR-4 to
Keri Roth's Rebuttal Testimony
has been deemed "Confidential"
in its entirety

Case No. WA-2019-0185

Schedule KNR-5 to
Keri Roth's Rebuttal Testimony
has been deemed "Confidential"
in its entirety

Missouri Public Service Commission

Respond Data Request

Data Request No.	0023
Company Name	MO PSC Staff-(All)
Case/Tracking No.	WA-2019-0185
Date Requested	7/15/2019
Issue	General Information & Miscellaneous - Other General Info & Misc.
Requested From	Whitney Payne
Requested By	Keri Roth
Brief Description	Staff position
Description	Is it Staff's position that the acquisitions requested by Osage Utility Operating Company, Inc. would be unlikely to occur without the probability of obtaining acquisition incentives?
Response	Staff does not take a position on whether the acquisitions would be unlikely to occur without the probability of obtaining acquisition incentives. Commission Rule 4 CSR 240-10.085 states that, "When submitting an application for an acquisition incentive to acquire a nonviable utility, the acquiring utility has the burden of proof and shall demonstrate the following: ... The acquisition would be unlikely to occur without the probability of obtaining an acquisition incentive." Staff based its recommendation on an evaluation of each of the criteria of 4 CSR 240-10.085 and considered the history of each of the systems OUOC seeks to acquire in this matter. Data Request Response provided by Natelle Dietrich (natelle.dietrich@psc.mo.gov) and Jim Busch (jim.busch@psc.mo.gov).
Objections	NA

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission if, during the pendency of Case No. WA-2019-0185 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MO PSC Staff-(All) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to MO PSC Staff-(All) and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

CASE NO. WA-2019-0185 – CONFIDENTIAL (** __ **)
 OPC DATA REQUESTS 1103-1109
 RESPONSES OF OSAGE UTILITY OPERATING COMPANY, INC.
 JULY 29, 2019

		[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
1108	Does Central States Water Resources subsidiaries have a history of acquiring failing or troubled systems?	Yes. To date CSWR affiliated companies have acquired several failing or troubled systems in Missouri and Arkansas. In both states the affiliates worked with state regulators to restore the distressed systems to enable them to provide safe, reliable, and adequate service to customers served by those systems.

FARRIS BOBANGO, PLC

ATTORNEYS AT LAW

Nashville · Memphis

PHILIPS PLAZA
414 UNION STREET, SUITE 1105
NASHVILLE, TENNESSEE 37219

(615) 726-1200 telephone · (615) 726-1776 facsimile

Tyler A. Cosby
tcosby@farris-law.com

(615) 687-4225 (direct)

July 29, 2019

VIA HAND DELIVERY

19-00062

RECEIVED

JUL 29 2019

TN PUBLIC UTILITY COMMISSION
DOCKET OFFICE

Ectory Lawless, J.D.
Dockets and Records Manager
Tennessee Public Utility Commission
502 Deaderick Street
4th Floor
Nashville, TN 37243

Re: In the Matter of the Joint Application of Aqua Utilities
Company Inc., and Limestone Water Utility Operating
Company, LLC, for Authority to Sell or Transfer Title to
the Assets, Property, and Real Estate of a Public Utility
and for a Certificate of Public Convenience and Necessity

Dear. Ms. Lawless:

I inadvertently filed the wrong Pre-filed Testimony of Josiah Cox that appeared in Exhibit 11 to the Joint Application. Please replace the Pre-filed Testimony of Josiah Cox that was filed with the Joint Application on July 25, 2019 with the enclosed original. We apologize for the error and any inconvenience it may have caused.

Sincerely,



Tyler A. Cosby

cc: Vance Broemel
Karen H. Stachowski
Terra Allen

**DIRECT TESTIMONY
OF JOSIAH COX
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

WITNESS INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Josiah Cox. My business address is 500 Northwest Plaza Drive Suite 500. St. Ann Missouri, 63074.

Q. WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY OPERATING COMPANY, LLC (LIMESTONE OR COMPANY)?

A. I hold the office of President of Limestone. I also am President of Central States Water Resources, Inc. ("CSWR"), a Limestone affiliate. Later in my testimony I will describe CSWR's relationship to Limestone and discuss the role CSWR would play in Limestone's future operations if the Commission approves the Joint Application in this case.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science with a major in Environmental Science from the University of Kansas. Professionally I have worked at the Kansas state biological survey, where I performed a wildlife habitat study. I then worked at a civil engineering firm where I was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. I focused mainly on the water and wastewater side of the civil engineering business and participated in every part of that business from waste-load allocation studies (now known as the anti-degradation processes), design, permitting, project management, and construction management. I also ran the firm's environmental consulting division and was the second private consultant to submit a water quality impact study in the state of Missouri in 2003. I joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, I raised money from a group of investors and formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. I served as the Chief Operating Officer, and finally Chief Executive Officer, I obtained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. We have done full engineering design of multiple whole community wastewater and water infrastructure systems including wells, water distribution, water

treatment, water storage, wastewater conveyance, and wastewater treatment plants and taken these designs through federal and state administered permitting processes in Missouri. The engineering firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign off.

During this time, I began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which I graduated in 2007.

In addition, starting in 2008, I took over the operations of an existing rural sewer district, and I still operate a system managing the functioning, testing, and maintenance of the system. I also act as the administrator for this municipal system performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to describe Limestone 's proposal to acquire all assets currently used by Aqua Utilities Company, Inc., ("Aqua") to provide water and wastewater utility service to customers in Hardin County, Tennessee, and explain why both Limestone and Aqua believe their proposed transaction is in the public interest. I also will describe Limestone's relationship to CSWR, the role CSWR would play in Limestone's operation of the sewer systems at issue in this case, and the benefits Limestone' relationship with CSWR would bring to customers served by those systems. Finally, to the extent applicable, I will provide the Commission information required by TPUC Rule 122 0-04-13- .17(2)(f).

**BACKGROUND INFORMATION REGARDING
LIMESTONE AND ITS AFFILIATES**

Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT LIMESTONE AND CSWR.

A. Limestone is a limited liability company formed to acquire Aqua's assets. If the Commission grant's the requests the Joint Applicants have made in this case, Limestone would operate the three wastewater systems being acquired from Aqua.

Limestone is an affiliate of CSWR. A corporate organization chart illustrating that relationship was filed in this case as Exhibit 4 to the Joint Application.

In late 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies. In early 2011, I went to the capital markets to raise money to implement my plan. Over a period of approximately three years, I met with over fifty-two infrastructure investment groups trying to raise necessary financing. In February 2014, I achieved my goal, and I used the debt and equity capital I was able to raise to start CSWR. Since its formation, CSWR has acquired, and currently is operating, through various affiliates, 9 small water and 16 wastewater systems in Missouri and Arkansas. In Missouri, those systems are regulated by

the Missouri Public Service Commission. In Arkansas, the systems are outside the Arkansas Public Service Commission's jurisdiction due to annual revenue thresholds. CSWR also has acquisition applications pending in Missouri, Kentucky, and Louisiana.

In 2018, I was able to attract an additional large institutional private equity investor, which allowed me to expand the scope of my business plan beyond Missouri and Arkansas. This new investor is allowing CSWR to form companies for the purpose of acquiring distressed water and wastewater systems in additional states including Tennessee.

Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE ACQUISITION AND OPERATION OF DISTRESSED WATER AND WASTEWATER SYSTEMS?

A. CSWR's business plan is to pursue the purchase and recapitalization of failing water and wastewater systems and to operate those systems as investor-owned regulated utilities. Many of those systems are not currently regulated, and of those that are regulated by state utility commissions many, if not most, are out of compliance with commission rules and with federal or state pollution laws and regulations. Many of those companies do not even have the federal or state permits required to lawfully operate those systems. We also have found that many of the regulated companies have not increased their rates for a decade or more and, as a result, they don't have the financial resources necessary to build, maintain, and replace assets used to provide service or to bring their operations into compliance with rapidly-changing environmental and water quality regulations. Some of these companies are in receivership and, therefore, lack access to capital necessary to improve their systems. Because it has made the effort to find investment capital and investors who are willing to make investments and take risks necessary to bring small water and wastewater systems into compliance with current statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire distressed systems, invest capital necessary to construct or repair physical facilities, and operate those systems in a way that satisfies customers, regulators, and investors alike. CSWR's business plan and the expertise its personnel provide to affiliates have proven successful in multiple states, and there is every reason to believe that record of success would continue if Limestone is authorized to acquire Aqua's assets and is given the authority to operate those assets in the areas where Aqua currently provides service.

Q. IF THE AUTHORIZATIONS REQUESTED IN THE JOINT APPLICATION ARE GRANTED, WOULD LIMESTONE HIRE EMPLOYEES TO PROVIDE SERVICE IN THE AREAS CURRENTLY SERVED BY AQUA?

A. No, Limestone would not hire Aqua's current employees to operate those systems.

Q. THEN HOW DOES LIMESTONE PROPOSE TO PROVIDE SERVICE TO CUSTOMERS OF THOSE SYSTEMS?

A. If the Joint Application is approved, Limestone would hire a local third-party Operations

and Maintenance (O&M) firm that has knowledgeable and experienced personnel, carries the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations of the systems at issue in this case. In addition to its service obligations during normal business hours, the O&M firm would be required to have a 24-hour emergency service line for service disruption. In addition, notice of all service disruption calls would be forwarded to me, as Limestone's president. CSWR has developed a centralized computerized maintenance management system (CCMS) that monitors the performance of our drinking water and wastewater systems and allows CSWR to track the ongoing maintenance and testing of O&M contractors at all our facilities. CSWR uses GIS survey information to accurately map all infrastructure assets which leads to proactive on-going targeted ongoing infrastructure re-investment as part of overall CSWR ownership.

Limestone also will hire a billing and customer service firm to send out bills and handle service-related billing questions. Historically, CSWR has always ensured the billing firm we hire has in place or quickly can establish an online billing system to receive credit card and e-checks from customers and a Limestone-specific customer service email account to field ongoing customer interactions. The customer service representatives are available during normal business hours, can take messages twenty-four hours a day, and all customer correspondence is recorded and logged to consumers' accounts to ensure the highest level of service.

While day-to-day operational, billing, and customer service functions would be provided by non-employee contractors, all management, financial reporting, underground utility safety and location services, Commission regulatory reporting, environmental regulatory reporting and management, operations oversight, utility asset planning, engineering planning, ongoing utility maintenance, utility record keeping, and final customer dispute management would be performed by personnel at CSWR's corporate office, with proportional costs for those services passed down to Limestone. CSWR personnel also would monitor the activities of the non-employee contractors to make sure the systems are being operated and maintained properly and customers' needs are being met. The resumes of CSWR personnel who, in addition to me, will be responsible for providing services or oversight to Limestone's operation were attached to the Joint Application as Exhibit 8.

Q. PLEASE DESCRIBE YOUR AFFILIATES' EXPERIENCE WITH WASTEWATER/SEWER SYSTEMS.

A. On the wastewater side of the business, our group of affiliated companies has purchased 16 wastewater treatment plants with associated sewer pumping stations, gravity force mains, and gravity conveyance lines. In Missouri, the companies have designed, permitted, and completed construction, with Missouri Department of Natural Resources approval, of approximately \$5 million of sanitary sewer systems since March of 2015. These improvements include wastewater line repairs to remove infiltration and inflow, building sewer main extensions, the repair of multiple lift stations, the construction of lift stations, the closure of an existing regulatory impaired wastewater system, building two fully activated sludge plants, constructing moving bed bio-reactor plants (MBBR), converting two failing wastewater systems into sludge storage/flow equalization and treatment basins, converting failed mechanical systems to I-Fast systems, and constructing

various other wastewater supporting improvements. Central States has completed the design and construction permitting for major wastewater improvements for two additional wastewater systems in Missouri, and for new utility acquisitions recently approved in an Elm Hills Utility Operating Company, Inc. acquisition case. These designs include constructing two moving bed bio-reactor plants (MBBR) and constructing various other wastewater supporting improvements. CSWR has also completed or is in the permitting process with the Arkansas Department of Environmental Quality (ADEQ) the design of improvements associated with ten additional wastewater plants in Arkansas.

Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?

A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar services for water and wastewater systems in Missouri and Arkansas. I already described my background and experience in the water and wastewater utility industry and resumes of the key members of CSWR's senior team who would be involved in Limestone's operations were filed as Exhibit 6 to the Joint Application. Each of those senior leaders, and the other CSWR employees who would assist them, is well-qualified to meet the demands of Limestone and its customers and of this commission and other regulators charged with overseeing Limestone's operations. That level of experience and expertise CSWR currently provides affiliated systems in Missouri and Arkansas and that it would bring to Limestone if the Joint Application is approved is not usually available to small systems like those at issue in this case. But CSWR's business model provides these assets to its affiliates and does so, through economies of scale CSWR's centralized management structure can achieve, at a lower cost than would be the case if Limestone or a similarly-sized company had to acquire or provide such expertise and support on its own.

Q. HAS YOUR GROUP OF AFFILIATED COMPANIES TAKEN STEPS TO IMPROVE SERVICES AT THE SYSTEMS IT NOW OPERATES?

A. Yes. In addition to the capital improvements made on all of the systems, the organization has built from scratch customer service systems at each utility that comply with the Missouri Commission's rules and provide benefits to the customers. This includes 24-hour emergency service phone lines for potential service issues, on-call emergency service contractor personnel, implementation of a computerized maintenance management system for wastewater and drinking water utility assets, customer dissemination of Missouri Department of Natural Resources mandated drinking water testing information, on-line bill-pay options, up-to-date website bulletins about current service status, and service initiation or discontinuance procedures.

Q. DO LIMESTONE AND CSWR HAVE THE FINANCIAL CAPACITY TO FINANCE, OWN, AND OPERATE THE SYSTEMS YOU PROPOSE TO ACQUIRE FROM AQUA?

A. Yes, Limestone and CSWR have the financial capacity to finance, own, and operate the three systems we propose to acquire from Aqua.

DESCRIPTION OF THE PROPOSED TRANSACTION

Q. PLEASE DESCRIBE THE WATER AND WASTEWATER SYSTEMS LIMESTONE PROPOSES TO ACQUIRE FROM AQUA.

A. As I mentioned earlier in my testimony, Limestone proposes to acquire water and wastewater systems from Aqua that are located in Hardin County. Maps and aerial photographs showing the areas to be acquired from Aqua were filed as Exhibit 1 to the Joint Application.

Terms of the proposed asset sale are governed by an Agreement for the Sale of Utility System, as amended ("Agreement"), between Aqua and Limestone. A copy of the Agreement, as amended, was filed as Exhibit 9 to the Joint Application, and a copy of the document assigning all assets acquired from Aqua to Limestone was filed as Exhibit 10. As specified in the Agreement, the purchase price for the assets being acquired from Aqua is approximately \$2 million.

No closing date for the transaction has been set, but the Agreement identifies various conditions precedent, including obtaining all required regulatory approvals, that must be satisfied before the transaction can close. Section 17 of the Agreement also authorizes CSWR to assign all its rights to the acquired assets to an affiliated entity. In accordance with that section, at closing CSWR will transfer to Limestone all sewer system assets acquired from Aqua.

Q. IF THE COMMISSION APPROVES THE JOINT APPLICATION, IS LIMESTONE WILLING AND ABLE TO MAKE ANY IMPROVEMENTS NECESSARY TO BRING AQUA'S WATER AND WASTEWATER SYSTEMS UP TO STANDARD AND INTO COMPLIANCE?

A. Yes. If the Commission grants Limestone the authority it seeks in the Joint Application, Limestone and CSWR are willing and able to invest capital necessary to bring the Aqua systems up to standard and into compliance. As I described previously, because of the affiliated structure of which they are part, Limestone and CSWR have access to capital adequate to make current improvements to that system and to continue to operate it in a manner that complies with applicable statutes, rules, and regulations and is in the public interest.

Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT FOR THE AQUA SYSTEMS AT ISSUE IN THIS CASE?

A. Initially, Limestone proposes to adopt the tariffs, rules, and rates currently in effect for the Aqua systems. However, if the revenue requirement for any or all those systems increase - as likely would be the case given the additional capital investment needed for system upgrades and improvements - or as our own operating experience dictates, in the near-term future Limestone may petition the Commission to increase rates or change certain operating regulations. In the future, Limestone also may also seek authority to consolidate the rates of the three systems it proposes to acquire.

Q. ARE LIMESTONE AND CSWR FAMILIAR WITH THE COMMISSION'S RULES AND REGULATIONS GOVERNING WASTEWATER UTILITIES AND DO YOU PLEDGE TO OPERATE THE THREE SYSTEMS IN A MANNER THAT COMPLIES WITH THOSE RULES AND REGULATIONS?

A Yes, we have familiarized ourselves with the Commission's rules and regulations and pledge to operate the three systems in a manner that complies with all Commission requirements.

Q. DO YOU BELIEVE THE PROPOSED TRANSACTIONS ARE IN THE PUBLIC INTEREST?

A Yes. I believe the proposed acquisition of Aqua's water and wastewater systems would be consistent with and would promote the public interest. Limestone and CSWR are fully qualified, in all respects, to own and operate the systems to be acquired and to otherwise provide safe and adequate service.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

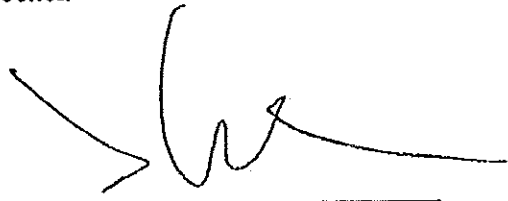
A. Yes, it does.

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AFFIDAVIT

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

I, Josiah M. Cox, state that I am the President of Limestone Utility Operating Company, LLC, and that the answers to the questions posed in the attached Direct Testimony are true and correct to the best of my knowledge, information, and belief.



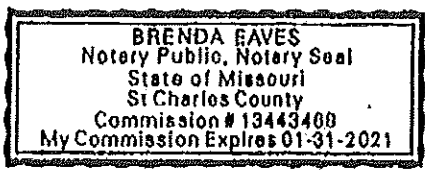
JOSIAH M. COX

Subscribed and sworn to before me this 22nd day of July 2019.



Notary Public

My Commission Expires: 01/31/2021



Docket No. 19-01035

Exhibit 11

Pre-filed testimony of Josiah Cox

**DIRECT TESTIMONY OF
JOSIAH COX
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

WITNESS INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Josiah Cox. My business address is 500 Northwest Plaza Drive Suite 500. St. Ann Missouri, 63074

Q. WHAT IS YOUR POSITION WITH LIMESTONE WATER UTILITY OPERATING COMPANY, LLC (LIMESTONE OR COMPANY)?

A. I hold the office of President of Limestone. I also am President of Central States Water Resources, Inc. ("CSWR"), a Limestone affiliate. Later in my testimony I will describe CSWR's relationship to Limestone and discuss the role CSWR would play in Limestone's future operations if the Commission approves the Joint Application in this case.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science with a major in Environmental Science from the University of Kansas. Professionally I have worked at the Kansas state biological survey, where I performed a wildlife habitat study. I then worked at a civil engineering firm where I was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. I focused mainly on the water and wastewater side of the civil engineering business and participated in every part of that business from waste-load allocation studies (now known as the anti-degradation processes), design, permitting, project management, and construction management. I also ran the firm's environmental consulting division and was the second private consultant to submit a water quality impact study in the state

of Missouri in 2003. I joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, I raised money from a group of investors and formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. I served as the Chief Operating Officer, and finally Chief Executive Officer, I obtained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine receiving water-body protective permit-able effluent pollutant loads. We have done full engineering design of multiple whole community wastewater and water infrastructure systems including wells, water distribution, water treatment, water storage, wastewater conveyance, and wastewater treatment plants and taken these designs through federal and state administered permitting processes in Missouri. The engineering firm also administered the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign off.

During this time, I began the Master of Business Administration (MBA) program at Washington University in St. Louis, from which I graduated in 2007.

In addition, starting in 2008, I took over the operations of an existing rural sewer district, and I still operate a system managing the functioning, testing, and maintenance of the system. I also act as the administrator for this municipal system performing all the billing, emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public town meetings required to service the community.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to describe Limestone's proposal to acquire all assets currently used by Cartwright Creek, LLC, ("Cartwright") to provide wastewater utility service to customers in three service areas in Williamson County, Tennessee – Arrington Retreat, The Grasslands, and The Hideaway – and explain why both Limestone and Cartwright believe their proposed transaction is in the public interest. I also will describe Limestone's relationship to CSWR, the role CSWR would play in Limestone's operation of the sewer systems at issue in this case, and the benefits Limestone' relationship with CSWR would bring to customers served by those systems. Finally, to the extent applicable, I will provide the Commission information required by TPUC Rule 1220-04-13-.17(2)(f).

**BACKGROUND INFORMATION REGARDING LIMESTONE
AND ITS AFFILIATES**

Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION ABOUT LIMESTONE AND CSWR.

A. Limestone is a limited liability company formed to acquire Cartwright Creek's assets. If the Commission grant's the requests the Joint Applicants have made in this case, Limestone would operate the three wastewater systems being acquired from Cartwright Creek.

Limestone is an affiliate of CSWR. A corporate organization chart illustrating that relationship was filed in this case as Exhibit 4 to the Joint Application.

In late 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies. In early 2011, I went to the capital markets to raise money to implement my plan. Over a period of approximately three years, I met with over fifty-two infrastructure investment groups trying to raise necessary financing. In February 2014, I achieved

my goal, and I used the debt and equity capital I was able to raise to start CSWR. Since its formation, CSWR has acquired, and currently is operating through various affiliates, 9 small water and 16 wastewater systems in Missouri and Arkansas. In Missouri, those systems are regulated by the Missouri Public Service Commission. In Arkansas, the systems are outside the Arkansas Public Service Commission's jurisdiction due to annual revenue thresholds.

In 2018, I was able to attract an additional large institutional private equity investor, which allowed me to expand the scope of my business plan beyond Missouri and Arkansas. This new investor is allowing CSWR to form companies for the purpose of acquiring distressed water and wastewater systems in additional states including Tennessee.

Q. WHAT IS CSWR'S BUSINESS PLAN WITH REGARD TO THE ACQUISITION AND OPERATION OF DISTRESSED WATER AND WASTEWATER SYSTEMS?

A. CSWR's business plan is to pursue the purchase and recapitalization of failing water and wastewater systems and to operate those systems as investor-owned regulated utilities. Many of those systems are not currently regulated, and of those that are regulated by state utility commissions many, if not most, are out of compliance with commission rules and with federal or state pollution laws and regulations. Many of those companies do not even have the federal or state permits required to lawfully operate those systems. We also have found that many of the regulated companies have not increased their rates for a decade or more and, as a result, they don't have the financial resources necessary to build, maintain, and replace assets used to provide service or to bring their operations into compliance with rapidly-changing environmental and water quality regulations. Some of these companies are in receivership and, therefore, lack access to capital necessary to improve their systems.

Because it has made the effort to find investment capital and investors who are willing to make investments and take risks necessary to bring small water and wastewater systems into compliance with current statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire distressed systems, invest capital necessary to construct or repair physical facilities, and operate those systems in a way that satisfies customers, regulators, and investors alike. CSWR's business plan and the expertise its personnel provide to affiliates have proven successful in multiple states, and there is every reason to believe that record of success would continue if Limestone is authorized to acquire Cartwright Creek's assets and is given the authority to operate those assets in the three areas where Cartwright Creek currently provides service.

Q. IF THE AUTHORIZATIONS REQUESTED IN THE JOINT APPLICATION ARE GRANTED, WOULD LIMESTONE HIRE EMPLOYEES TO PROVIDE SERVICE IN THE AREAS CURRENTLY SERVED BY CARTWRIGHT CREEK?

A. No, Limestone would not hire employees to operate those three systems.

Q. THEN HOW DOES LIMESTONE PROPOSE TO PROVIDE SERVICE TO CUSTOMERS OF THOSE SYSTEMS?

A. If the Joint Application is approved, Limestone would hire a local third-party Operations and Maintenance (O&M) firm that has knowledgeable and experienced personnel, carries the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations of the systems at issue in this case. In addition to its service obligations during normal business hours, the O&M firm would be required to have a 24-hour emergency service line for service disruption. In addition, notice of all service disruption calls would be forwarded to me, as Limestone's president.

CSWR has developed a centralized computerized maintenance management system (CCMS) that monitors the performance of our drinking water and wastewater systems and allows CSWR to track the ongoing maintenance and testing of O&M contractors at all our facilities. CSWR uses GIS survey information to accurately map all infrastructure assets which leads to proactive on-going targeted ongoing infrastructure re-investment as part of overall CSWR ownership.

Limestone also will hire a billing and customer service firm to send out bills and handle service-related billing questions. Historically, CSWR has always ensured the billing firm we hire has in place or quickly can establish an online billing system to receive credit card and e-checks from customers and a Limestone-specific customer service email account to field ongoing customer interactions. The customer service representatives are available during normal business hours, can take messages twenty-four hours a day, and all customer correspondence is recorded and logged to consumers' accounts to ensure the highest level of service.

While day-to-day operational, billing, and customer service functions would be provided by non-employee contractors, all management, financial reporting, underground utility safety and location services, Commission regulatory reporting, environmental regulatory reporting and management, operations oversight, utility asset planning, engineering planning, ongoing utility maintenance, utility record keeping, and final customer dispute management would be performed by personnel at CSWR's corporate office, with proportional costs for those services passed down to Limestone. CSWR personnel also would monitor the activities of the non-employee contractors to make sure the systems are being operated and maintained properly and customers needs are being met. The resumes of CSWR personnel who, in addition to me, will be responsible for

providing services or oversight to Limestones operation were attached to the Joint Application as Exhibit 6.

Q. PLEASE DESCRIBE YOUR AFFILIATES' EXPERIENCE WITH WASTEWATER/SEWER SYSTEMS.

A. On the wastewater side of the business, our group of affiliated companies has purchased 16 wastewater treatment plants with associated sewer pumping stations, gravity force mains, and gravity conveyance lines. In Missouri, the companies have designed, permitted, and completed construction, with Missouri Department of Natural Resources approval, of approximately \$5 million of sanitary sewer systems since March of 2015. These improvements include wastewater line repairs to remove infiltration and inflow, building sewer main extensions, the repair of multiple lift stations, the construction of lift stations, the closure of an existing regulatory impaired wastewater system, building two fully activated sludge plants, constructing moving bed bio-reactor plants (MBBR), converting two failing wastewater systems into sludge storage/flow equalization and treatment basins, converting failed mechanical systems to I-Fast systems, and constructing various other wastewater supporting improvements. Central States has completed the design and construction permitting for major wastewater improvements for two additional wastewater systems in Missouri, and for new utility acquisitions recently approved in an Elm Hills Utility Operating Company, Inc. acquisition case. These designs include constructing two moving bed bio-reactor plants (MBBR) and constructing various other wastewater supporting improvements. CSWR has also completed or is in the permitting process with the Arkansas Department of Environmental Quality (ADEQ) the design of improvements associated with ten additional wastewater plants in Arkansas.

Q. DOES CSWR HAVE PERSONNEL QUALIFIED TO PERFORM THE SERVICES YOU IDENTIFIED IN YOUR PRECEDING ANSWER?

A. Yes, it does, as evidenced by the fact CSWR already is providing those and other similar services for water and wastewater systems in Missouri and Arkansas. I already described my background and experience in the water and wastewater utility industry, and resumes of the key members of CSWR's senior team who would be involved in Limestone's operations were filed as Exhibit 6 to the Joint Application. Each of those senior leaders, and the other CSWR employees who would assist them, is well-qualified to meet the demands of Limestone and its customers and of this commission and other regulators charged with overseeing Limestone's operations. That level of experience and expertise CSWR currently provides affiliated systems in Missouri and Arkansas and that it would bring to Limestone if the Joint Application is approved is not usually available to small systems like those at issue in this case. But CSWR's business model provides these assets to its affiliates and does so, through economies of scale CSWR's centralized management structure can achieve, at a lower cost than would be the case if Limestone or a similarly-sized company had to acquire or provide such expertise and support on its own.

Q. HAS YOUR GROUP OF AFFILIATED COMPANIES TAKEN STEPS TO IMPROVE SERVICES AT THE SYSTEMS IT NOW OPERATES?

A. Yes. In addition to the capital improvements made on all of the systems, the organization has built from scratch customer service systems at each utility that comply with the Missouri Commission's rules and provide benefits to the customers. This includes 24-hour emergency service phone lines for potential service issues, on-call emergency service contractor personnel, implementation of a computerized maintenance management system for wastewater and drinking water utility assets, customer dissemination of Missouri Department of Natural Resources

mandated drinking water testing information, on-line bill-pay options, up-to-date website bulletins about current service status, and service initiation or discontinuance procedures.

Q. DO LIMESTONE AND CSWR HAVE THE FINANCIAL CAPACITY TO FINANCE, OWN, AND OPERATE THE SYSTEMS YOU PROPOSE TO ACQUIRE FROM CARTWRIGHT CREEK?

A. Yes, Limestone and CSWR have the financial capacity to finance, own, and operate the three systems we propose to acquire from Cartwright Creek.

DESCRIPTION OF THE PROPOSED TRANSACTION

Q. PLEASE DESCRIBE THE WASTEWATER SYSTEMS LIMESTONE PROPOSES TO ACQUIRE FROM CARTWRIGHT CREEK.

A. As I mentioned earlier in my testimony, Limestone proposes to acquire three wastewater systems from Cartwright Creek: Arrington Retreat, The Grasslands, and The Hideaway. All those systems are located in Williamson County. Maps and aerial photographs showing the areas to be acquired from Cartwright Creek were filed as Exhibit 1 to the Joint Application.

Terms of the proposed asset sale are governed by an *Agreement for the Sale of Utility System*, as amended ("Agreement"), between Cartwright Creek and CSWR. A copy of the Agreement, as amended, was filed as Exhibit 9 to the Joint Application, and a copy of the document assigning all assets acquired from Cartwright Creek to Limestone was filed as Exhibit 10. As specified in the Agreement, the purchase price for the assets being acquired from Cartwright Creek is \$880,000.

No closing date for the transaction has been set, but the Agreement identifies various conditions precedent, including obtaining all required regulatory approvals, that must be satisfied before the transaction can close. Section 17 of the Agreement also authorizes CSWR to assign all

its rights to the acquired assets to an affiliated entity. In accordance with that section, at closing CSWR will transfer to Limestone all sewer system assets acquired from Cartwright Creek.

Q. PLEASE DESCRIBE SOME OF THE PROBLEMS THAT EXIST IN THE THREE SYSTEMS CARTWRIGHT CREEK PROPOSES TO SELL TO LIMESTONE.

A. The Grasslands is the largest of the systems Cartwright Creek proposes to sell to Limestone, and it's also the system with the most problems and greatest need for capital investment. The Grasslands service area is a community with approximately 549 residential connections. The collection system is primarily gravity-flow with two mechanical pumping stations, but no flow monitoring or remote monitoring equipment is in place. Facilities serving that area have a total capacity of 250,000 gallons per day ("gpd"), however current inflow and infiltration greatly exceed that capacity – by factors as great as four to seven times designed gpd capacity. The treatment facility serving The Grasslands receives excessive inflow and infiltration and, as a result, exceeds certain maximum operating limits. For example, the total nitrogen limit of 1.9 mg/l is not being met. The system also sometimes exceeds allowable phosphorous. The system is in dire need of repairs to avoid these and other problems at the treatment facility, and CSWR estimates additional investment of more than \$2.3 million would be required to bring the system up to standard and into regulatory compliance.

Q. IF THE COMMISSION APPROVES THE JOINT APPLICATION, IS LIMESTONE WILLING AND ABLE TO MAKE IMPROVEMENTS NECESSARY TO BRING THE WASTEWATER SYSTEM SERVING GRASSLANDS UP TO STANDARD AND INTO COMPLIANCE?

A. Yes. If the Commission grants Limestone the authority it seeks in the Joint Application, Limestone and CSWR are willing and able to invest the capital necessary to bring the Grassland

system up to standard and into compliance. As I described previously, because of the affiliated structure of which they are part, Limestone and CSWR have access to capital adequate to make current improvements to that system and to continue to operate it in a manner that complies with applicable statutes, rules, and regulations and is in the public interest.

Q. WHAT RATES, RULES, AND REGULATIONS WOULD BE IN EFFECT FOR THE THREE SYSTEMS AT ISSUE IN THIS CASE?

A. Initially, Limestone proposes to adopt the tariffs, rules, and rates currently in effect for the three Cartwright Creek systems. However, if the revenue requirement for any or all those systems increase – as likely would be the case given the additional capital investment needed for system upgrades and improvements – or as our own operating experience dictates, in the near-term future Limestone may petition the Commission to increase rates or change certain operating regulations. In the future, Limestone also may also seek authority to consolidate the rates of the three systems it proposes to acquire.

Q. ARE LIMESTONE AND CSWR FAMILIAR WITH THE COMMISSION'S RULES AND REGULATIONS GOVERNING WASTEWATER UTILITIES AND DO YOU PLEDGE TO OPERATE THE THREE SYSTEMS IN A MANNER THAT COMPLIES WITH THOSE RULES AND REGULATIONS?

A. Yes, we have familiarized ourselves with the Commission's rules and regulations and pledge to operate the three systems in a manner that complies with all Commission requirements.

Q. DO YOU BELIEVE THE PROPOSED TRANSACTIONS ARE IN THE PUBLIC INTEREST?

A. Yes. I believe the proposed acquisition of Cartwright Creek's would be consistent with and would promote the public interest. Limestone and CSWR are fully qualified, in all respects, to own and operate the systems to be acquired and to otherwise provide safe and adequate service.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

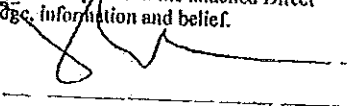
JOSIAH COX
DIRECT TESTIMONY

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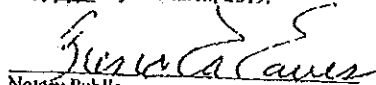
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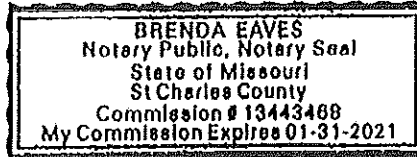
I, Josiah Cox, state that I am the President of Limestone Utility Operating Company, LLC and, that the answers to the questions posed in the attached Direct Testimony are true to the best of my knowledge, information and belief.



Subscribed and sworn to before me this 11th day of March, 2019.


Notary Public

My Commission Expires: 01/31/2021



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

The Proposed Acquisition by Bluegrass Water)
Utility Operating Company, LLC and the)
Transfer of Ownership and Control of Assets)
by: P.R. Wastewater Management, Inc.;) No. 2019-00104
Marshall County Environmental Services LLC;)
LH Treatment Company, LLC; Kingswood)
Development, Inc.; Airview Utilities, LLC;)
Brocklyn Utilities, LLC; Fox Run Utilities,)
LLC; and, Lake Columbia Utilities, Inc.)

**Verified Joint Application for Approval of Acquisition and
Transfer of Ownership and Control of Utility Assets**

The Applicants, the acquirer and the eight (8) transferring utilities named in the above caption, jointly submit this Application pursuant to KRS 278.020(6), (7), and (10), requesting that the Commission approve the acquisition and transfer of control of utility assets used in providing wastewater services to more than 1300 customers in areas of Bullitt, Franklin, Hardin, Madison, Marshall, McCracken, Scott, and Shelby Counties, Kentucky. Upon completion of the proposed transactions, after Commission approval therefor is granted, (1) Bluegrass Water Utility Operating Company, LLC will become a utility subject to the jurisdiction of this Commission and will adopt each transferring utility's tariff for the provision of wastewater services to that utility's customers, and (2) each transferring utility will cease to have any ownership or control of utility facilities and will no longer be a utility subject to the jurisdiction of the Commission. This Application has been verified on behalf of each Applicant; the Verifications are gathered in Exhibit A hereto. To establish compliance of the proposed acquisition/transfer with KRS 278.020 standards, Applicants submit the attached exhibits A-N and further state as follows:

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I. Applicants

A. Acquirer: Bluegrass Water Utility Operating Company, LLC

1. Bluegrass Water Utility Operating Company, LLC (“Bluegrass UOC” or “Acquirer”) is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 500 Northwest Plaza Drive, Suite 500, Saint Ann, MO 63074. Bluegrass UOC was organized on March 21, 2019, and is currently in good standing in Kentucky. Bluegrass UOC’s mailing address and electronic mail address to be used for service in this case are as set out on Exhibit B to this Application.

2. Bluegrass UOC’s member is Bluegrass Water Utility Holding Company, LLC. Bluegrass UOC is a manager-managed company; its manager is Central States Water Resources, Inc.

3. Bluegrass Water Utility Holding Company, LLC (“Holding Company”) is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 500 Northwest Plaza Drive, Suite 500, Saint Ann, MO 63074. Holding Company was organized on March 21, 2019, and is currently in good standing in Kentucky. It is the member-owner of Bluegrass UOC.

4. Kentucky Central States Water Resources, LLC (“Ky. CSWR”) is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 500 Northwest Plaza Drive, Suite 500, Saint Ann, MO 63074. Ky. CSWR was organized on December 5, 2018, and is currently in good standing in Kentucky. It is the member-owner of Holding Company.

5. First Round CSWR, LLC (“First Round”) is a limited liability company organized on January 23, 2014, and existing under the laws of the State of Missouri. Central States Water

Resources, Inc. ("CSWR") is a corporation organized on January 27, 2014, and existing under the laws of the State of Missouri. Each has its principal office and place of business at 500 Northwest Plaza Drive, Suite 500, Saint Ann, MO 63074 and is currently in good standing in Missouri; neither is authorized to do business in the Commonwealth of Kentucky. These two Missouri entities are affiliates of each other.

6. A corporate organization chart illustrating the relationship between Bluegrass UOC, Holding Company, Ky. CSWR, First Round, and CSWR is attached as Exhibit C to this Application. These entities and their affiliates are referred to collectively herein as "CSWR Group" or "the Group."

7. CSWR Group was created to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies. The Group has acquired — and is operating through affiliates — nine (9) small water systems and 16 small wastewater systems in Missouri and Arkansas.¹ In 2018, CSWR Group attracted an additional, large institutional private equity investor, enabling the expansion of its business beyond Missouri and Arkansas, and allowing the Group to form affiliates for the purpose of acquiring and professionalizing distressed water or wastewater systems in other states, including Tennessee² and Kentucky.

8. CSWR Group strives to effectively address the challenges of providing proper water and wastewater management facilities for underserved communities. It leverages extensive regulatory expertise and financial resources to facilitate cost-effective solutions to upgrade

¹ The Missouri systems are all regulated by the Missouri Public Service Commission; the Arkansas systems are below the annual-revenue thresholds and so fall outside the jurisdiction of the Arkansas Public Service Commission.

² CSWR affiliate Limestone Water Utility Operating Company, LLC, has applied to the Tennessee Public Utility Commission for authority to acquire and operate the water-utility assets of Cartwright Creek, LLC, Tenn. PUC dkt. # 19-00035.

facilities to meet the ever more stringent state and federal standards. The staff of CSWR Group lends its technical expertise to the affiliates, handling everything from evaluation to design and construction of facilities.

9. Bluegrass UOC has been organized/established by CSWR Group with the purpose that it will acquire the utility assets from the transferring utilities and will thereafter own, control, operate, and manage those facilities to provide collection, transmission, and treatment of sewage for the public for compensation, subject to the jurisdiction of the Commission.

B. Transferring Utilities

10. Each of the eight (8) transferring utilities is organized under the laws of the Commonwealth of Kentucky; with the exceptions noted in paragraphs 15 and 35 below, each is currently in good standing in Kentucky. Each is also a wastewater or sewer utility as defined by KRS 278.010(3)(f) and subject to the jurisdiction of the Commission. The mailing address and electronic mail address for each transferring utility to be used for service in this case are as set out on Exhibit B to this Application.

11. As typical among systems acquired and then operated by CSWR Group, many of the transferring utilities are out of compliance with Commission rules and with federal or state pollution laws and regulations. Many do not have the permits required to lawfully operate the systems; most have not adjusted their rates for a decade or more and do not have the financial resources necessary to build, maintain, and replace facilities used to provide service or to bring operations into compliance with rapidly-changing environmental and water-quality regulations.

1. P.R. Wastewater Management, Inc.

12. P.R. Wastewater Management, Inc. ("P.R. Wastewater") is a class C sewer utility, PSC ID# 900500. P.R. Wastewater was incorporated in Kentucky on March 9, 1989; it began

sewer operations in 1990. Its most recently-filed annual report is for 2018, and states that as of year-end 2018, it had 358 residential and 3 commercial customers.

13. P.R. Wastewater's current tariff, for Persimmon Ridge Development, located in western Shelby County, Kentucky, is PSC Ky. No. 1999-331. P.R. Wastewater has a currently-pending application for an alternative rate adjustment, filed November 5, 2018, and designated Case No. 2018-00339. A Commission decision on the application is anticipated around the beginning of May 2019.

14. The P.R. Wastewater treatment facilities consist of a two-cell aerated lagoon system with chlorine disinfection. The first cell is fully aerated while the second cell is partially aerated. The second cell also has a baffle spanning the lagoon cell to create a non-aerated or anaerobic zone that can help reduce solids in the effluent. From the anaerobic zone, the lagoon effluent has liquid chlorine added for disinfection prior to the contact chamber. Historically, the plant has struggled to meet disinfection requirements due to the chlorine dosage levels not being sufficient for disinfection; in addition, the facility may not be capable of meeting ammonia limits on a consistent basis. Collection is by a gravity sewer system that includes five pump stations.

2. Marshall County Environmental Services LLC

15. Marshall County Environmental Services LLC ("MCES") is a class C sewer utility, PSC ID# 903800. MCES is a member-managed limited-liability company that was organized in Kentucky on May 5, 2012. It is currently in bad standing with the Kentucky Secretary of State, and has been administratively dissolved. In 2013, it acquired wastewater collection, transmission, and treatment assets of the Great Oaks Subdivision in McCracken County and the Golden Acres Subdivision in Marshall County pursuant to the 11/19/12 final order (as amended by the 1/2/13 and 2/12/13 orders) in Case No. 2012-00436. Its most recently-filed annual report

is for 2016, and states that as of year-end 2016, it had 126 single-family and 4 apartment/condominium residential customers.

16. MCES's current tariff is PSC Ky. No.1, and contains separate and distinct rates and charges for the Great Oaks Subdivision in McCracken County and the Golden Acres Subdivision in Marshall County. The tariff became effective March 26, 2013.

17. MCES has been fined by the Commission for failure to file timely annual reports for 2017 and 2018. See Cases Nos. 2017-00032 and 2018-00264. The Kentucky Secretary of State administratively dissolved MCES on September 28, 2013, for failure to file its 2013 annual report in a timely manner.

18. MCES owns and operates systems in two Kentucky counties. The Golden Acres wastewater system (Marshall County) consists of a standard extended aeration activated sludge facility. This system did not have an active permit to operate at the time MCES agreed to sell the system; the permit appears to have expired on February 1, 2015. The treatment plant consists of an aeration tank, clarifier, and chlorine. The facility structure, air piping, and sludge returns are functional. The facility's operating permit states it has capacity of 25,000 gpd, but based on calculations, the actual capacity is closer to around 18,000 gpd. There are about 31 houses that are served by the Golden Acres facility. Since the first quarter of 2018, the plant has been exceeding limits for ammonia, *e. coli*, and other contaminants, probably due to equipment failure. There are significant issues with inflow and infiltration for both the treatment and collection systems.

19. The Great Oaks treatment system (McCracken County) is made up of a standard extended aeration activated sludge facility. This system did not have an active permit to operate at the time MCES agreed to sell the system; the permit appears to have expired on May 1, 2012.

The plant consists of an aeration tank, clarifier, and chlorine equipment, and appears to have the basic capacity to treat for normal flows from the approximately 161 houses that are connected to it. However, the facility has not had any preventive maintenance and has been generally unmaintained for a number of years. Only portions of the plant process are actually operating, while other sections of the aeration-activated facility are stagnant. During 2018, the plant exceeded multiple contaminant limits, including but not limited to ammonia, total residual chlorine (TRC), and *e. coli*, indicating abandonment or equipment malfunction. The influent pump station has also not been maintained, and the blowers are in disrepair. In addition, the sludge returns and air header system require repair. It is not known whether the collection system is all gravity, pressure, or has any pump stations.

3. LH Treatment Company, LLC

20. LH Treatment Company, LLC ("LH") is a class C sewer utility in Scott County Kentucky, PSC ID# 901300. LH is a member-managed limited-liability company organized in Kentucky on July 12, 2016; it began sewer operations in July 2017 after acquiring Longview Land Company LLC. Its most recently-filed annual report is for 2017, and states that as of year-end 2017, LH had 261 single-family and 16 condominium/apartment residential customers.

21. LH's current tariff is Longview Land Company LLC, P.S.C. KY. No. 1,³ for serving Longview Estates and Homestead subdivisions in Scott County, Kentucky. This tariff was initially effective August 28, 2003, and was most recently updated with a rate adjustment pursuant to Case No. 2009-00075, on July 20, 2009.

³ Through internal transactions, apparently, the former Longview Land Company, LLC is now LH Treatment Company, LLC.

22. The initial wastewater treatment plant was constructed from 1971 to 1975 and expanded in 1990 to serve the neighboring Longview and Homestead subdivisions in Scott County. LH treats wastewater with a standard extended aeration activated sludge facility. The permit appears to have expired on December 31, 2018. The plant consists of an aeration tank, clarifier, and chlorine disinfection with de-chlorination. The facility occasionally exceeds limits for environmental contaminants. In 2018, the facility violated limits for ammonia, *e. coli*, and other contaminants.

4. Kingswood Development, Inc.

23. Kingswood Development, Inc. ("Kingswood") is a class C sewer utility in Bullitt County, Kentucky, PSC ID# 9000700. Kingswood was incorporated in Kentucky on May 3, 1996. It is currently in good standing with the Kentucky Secretary of State. Its most recently submitted annual report was for 2018; the filed report for 2016 documents that Kingswood served 124 residential customers at year end.

24. Kingswood serves Kingswood Development in east Mount Washington, Bullitt County, under the original tariff, which was effective on February 27, 1998.

25. Kingswood's sewer plant was originally constructed in 1998, and appears to have sufficient capacity to serve 124 residential properties. The treatment plant includes an aeration tank, comminutors at the influent point, aerobic sludge digestion, a clarifier, and ultraviolet disinfection followed by post-aeration. There have been sporadic violations of limits, including for ammonia, total suspended solids, and biochemical oxygen demand.

5. Airview Utilities, LLC

26. Airview Utilities LLC ("Airview") is a class C sewer utility in Hardin County, Kentucky, PSC ID# 9002400. Airview is a member-managed limited-liability company that was

organized in Kentucky on January 7, 2005. It is currently in good standing with the Kentucky Secretary of State. Its most recently-filed annual report was in 2017, which states it served 203 residential customers at year end.

27. Airview's tariff, for Airview Estates Subdivision in Hardin County, Kentucky, is P.S.C. KY. No. 1 and was originally effective October 5, 2010, as authorized in Case No. 2010-0064. The last rate revision was made effective through Case No. 2014-00215, on December 22, 2014. As of July 11, 2016, Airview filed for Commission approval to abandon and surrender its utility facilities; although there were significant proceedings through September 2018 in Commission Case No. 2016-00207, there have been no subsequent steps taken in that case and this Commission has not approved abandonment.

28. Airview's wastewater treatment facility is made up of a standard extended aeration activated sludge facility. The permit to operate has expired; however, Airview has submitted an application to renew the permit. The facilities include an aeration tank, mechanical clarifier, and chlorine disinfection; the system also has a remote lift station containing two rebuilt pumps. The plant is in serious disrepair with extensive contamination concerns as the various portions of the plant continue to fail. Major renovations are needed to reboot this plant to allow it to provide appropriate utility services.

6. Brocklyn Utilities, LLC

29. Brocklyn Utilities, LLC ("Brocklyn") is a class C sewer utility in Madison County, Kentucky, PSC ID# 9002200. Brocklyn is a member-managed limited-liability company organized in Kentucky on July 16, 2004. It is currently in good standing with the Kentucky Secretary of State. Its most recently-filed annual report was for 2017, which states it served 168 residential customers (70 single family homes and 98 apartment/condominiums) at year end.

30. Brocklyn's current tariff for Brocklyn Subdivision in Madison County, Kentucky is P.S.C. KY. No. 1 and was effective October 5, 2010, pursuant to Case No. 2010-0063.

31. Brocklyn's wastewater treatment facility is made up of a standard extended aeration activated sludge facility. The plant, initially constructed in 1969, consists of an aeration tank, clarifier, polishing earthen cell, and chlorine disinfection. The facility is in an overall state of disrepair and has had exceedances of permit limits for contaminants, with a tank that is borderline for meeting the needs of its number of dependent residents. The permit to operate has expired; however, Brocklyn has submitted an application to renew the permit.

7. Fox Run Utilities, LLC

32. Fox Run Utilities, LLC ("Fox Run") is a class D sewer utility in Franklin County, Kentucky, PSC ID# 9003100. Fox Run is a member-managed limited-liability company organized in Kentucky on November 13, 2007. It is currently in good standing with the Kentucky Secretary of State. Fox Run's most recently-filed annual report was for 2017, which stated that it served 34 residential customers at year's end.

33. Fox Run serves Fox Run Estates, located in Franklin County, Kentucky, under its tariff P.S.C. KY. No. 1, effective July 27, 2010, per Case No. 2010-0060. Fox Run began service to Fox Run Estates by adopting the tariff of Downstream, Inc., from which it purchased the wastewater treatment and collection system pursuant to Commission approval granted in the Order dated April 11, 2008, in Case No. 2008-00024.

34. Fox Run's wastewater treatment facility is made up of a standard extended aeration activated sludge facility. The permit to operate has expired; however, Fox Run has submitted an application to renew the permit. The facilities include an influent pump station, aeration tank, clarifier, polishing filter, and chlorine disinfection; the system also has two remote lift

stations. The plant is in general disrepair and has had exceedances of permit limits. An independent engineer has identified necessary updates to this facility, including but not limited to extensive mechanical equipment investments and an overhaul of the pump station to ensure reliability.

8. Lake Columbia Utilities, Inc.

35. Lake Columbia Utilities, Inc. ("Lake Columbia") is a class D sewer utility in Bullitt County, Kentucky, PSC ID# 45875. Lake Columbia was incorporated in Kentucky on June 22, 1995. It is currently in bad standing with the Kentucky Secretary of State and has been administratively dissolved. Its most recently-filed annual report was for 2017, which states that at year's end it served 33 residential customers.

36. Lake Columbia's current tariff, P.S.C. KY. No. 3, is for Lake Columbia Estates in northern Bullitt County, Kentucky, and is based on a tariff adopted by Lake Columbia that was initially issued and effective on March 9, 1993. A rate adjustment was made pursuant to Case No. 2000-458, effective August 24, 2001. Lake Columbia has failed to file required reports on time, as addressed in Case No. 2011-00346.

37. Lake Columbia's wastewater treatment facility is made up of a standard extended aeration activated sludge facility. The system has an active operating permit that is set to expire on November 30, 2019. The facilities include an influent splitter/bar screen box, aeration tank, clarifier, and chlorine disinfection. The plant is in disarray and has not been maintained, and the system has had exceedances of permit limits. The independent engineer who examined this facility opined that this facility had seen its useful life and needs a complete overhaul and/or replacement. As a result, required improvements will necessitate major reconstruction — perhaps an entire new treatment facility, with possible reuse of the existing facility for flow equalization.

II. Proposed Acquisition/Transfer

A. Agreements

38. CSWR has entered into an Agreement for Sale of Utility System with each transferring utility, attached as a redacted Exhibit hereto,⁴ as follows:

<u>Seller</u>	<u>Date</u>	<u>Exhibit</u>
P.R. Wastewater	11/9/18	D
MCES	3/14/19	E
LH Treatment	1/29/19	F
Kingswood	3/19/19	G
Airview	2/27/19	H
Brocklyn	2/27/19	I
Fox Run	2/27/19	J
Lake Columbia	2/27/19	K

39. Each Agreement designates the buyer as CSWR or its affiliate and provides that, at the Closing, the transferring utility shall sell, transfer, assign, and deliver its assets to CSWR or CSWR's designated affiliate. CSWR has designated Bluegrass UOC, its affiliate, as the buyer for each Agreement attached hereto (Exhibits D-K).

40. Each Agreement provides for the sale of all of the assets owned by the transferring utility pertaining to its operation of a regulated sewer system. The sale includes all assets used or useful to operate the system, including real property interests, sewer service machinery and equipment, other tangible fixtures or personalty, franchises, contract rights, customer deposits, accounts receivable, and other intangibles.

⁴ Joint Applicants are requesting confidential treatment of the redacted material in a Joint Motion for Confidential Treatment submitted concurrently with this Joint Application.

41. Except as otherwise specified in a particular Agreement, the Agreements also provide for the buyer (Bluegrass UOC) to assume liability and become responsible at the Closing “for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.” Airview Utilities will remain responsible for fines that may be imposed in Commission Case No. 2016-00207 or in Cabinet v. Airview, No. DOW-34206-052.

42. The sale of assets under terms specified in the Agreement promotes the interests of the public generally and of transferring utilities’ customers more specifically. Numerous deficiencies exist in the wastewater systems to be acquired, and the current owner/operator of those systems is unwilling or unable to expend the capital necessary to remedy those deficiencies. Bluegrass UOC has worked with an engineer to address the shortcomings of each system and has outlined a plan to bring each into full operating compliance to ensure that after closing full operation of the systems can continue, with even greater provision of service to the customers of each.

43. To alleviate these and other problems, existing facilities and processes must be extensively modified and/or constructed. Additional capital investment is required to bring these systems up to standard and into compliance.

44. A 50/50 capital structure has been developed for Bluegrass UOC. After Commission approval has been given and before the Closing, Bluegrass UOC will be funded by CSWR Group affiliates, with equity capital from First Round and debt financing from US Water Capital,

LLC. First Round's consolidated balance sheet and income statement for 2018 are attached to this Joint Application as redacted Exhibit L.⁵

45. First Round has been funding and will continue to fund pre-Closing costs for Bluegrass UOC, including due diligence work relating to the transferring utilities' assets and compliance efforts.

B. Closing

46. The Closing of each sale is to take place no later than 45 days "after the effective date of any necessary regulatory approval, satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, ... or at such other time as the parties hereto may mutually agree." Agreement ¶5. The 45-day period and the possibility that the triggers will be met for transferring utilities at different times allows for the respective Closings to take place on different days.

47. During the interim period between satisfaction of one or more triggers and the Closing, the transferring utility is to obtain the legal right to transfer all of the assets, identify property boundaries, easement locations, and all interests in land in connection with its operation and maintenance of the system (¶6D), and will work to bring the conduct of the utility system into full compliance with regulatory requirements (¶6E). Facility-specific needs and identified steps have been set out in the reports prepared by an independent engineer. While most of the identified diagnostic tests, repairs, and improvements will take place post-Closing, Bluegrass UOC and each of the utilities have begun the process of working through these issues to move the facilities in the right direction prior to Closing.

⁵ Joint Applicants are requesting confidential treatment of the material redacted from Exhibit L in a Joint Motion for Confidential Treatment submitted concurrently with this Joint Application.

C. Post-Closing

48. From and after the Closing of the acquisition from each transferring utility, Bluegrass UOC will assume responsibility for the operation of the respective wastewater systems.

49. Following the Closing on each system, Bluegrass UOC will adopt, and provide service in accordance with, the respective transferring utility's then-existing and -effective tariff on file with the Commission.

50. The systems acquired will be operated by a qualified, experienced, third-party operations and maintenance ("O&M") firm engaged by Bluegrass UOC. That firm is Midwest Water Operations, LLC. This O&M firm has knowledgeable and experienced personnel, who carry the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations of the systems. In addition to service obligations during normal business hours, the O&M firm is required to have a 24-hour emergency service line on which customers may report any service disruption. In addition, notice of service disruption calls would be forwarded to Josiah Cox, the president of CSWR, Bluegrass UOC's manager.

51. A qualified, experienced, third-party firm engaged by Bluegrass UOC will send out bills and handle service-related billing questions for the acquired systems. That firm is Nitor Billing Services, LLC. This firm has in place or can quickly establish an online billing system to receive credit cards and e-checks from customers and a Bluegrass UOC specific customer service email account to handle customer inquiries and other interactions. The customer service representatives are to be available during normal business hours, and to take messages 24 hours a day. In addition, all electronic or paper correspondence is recorded and logged to the respective customer's account to ensure the highest level of service.

52. While day-to-day operations, billing, and customer service functions would be provided by third-party contractors, all management, financial reporting, underground utility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and final customer dispute management would be performed by personnel at CSWR's corporate office. Proportional costs for those services will be allocated to Bluegrass UOC. Professional narratives of CSWR personnel who will be responsible for providing oversight of the acquired systems' operation are attached as Exhibit M.

53. The 50-50 capital structure described in paragraph 44 above will provide Bluegrass UOC with post-Closing access to working capital and financing resources.

54. Bluegrass UOC will make any necessary improvements over time to ensure that the existing and future customers of a system are provided with a quality of service equal to or better than that currently being provided by the respective transferring utility. This includes 24-hour emergency phone lines for potential service issues, on-call emergency service contractor personnel, implementation of a computerized maintenance management system for utility assets, on-line bill-pay options, up-to-date website bulletins about current service status and service initiation/discontinuance procedures.

55. In addition, detailed plans have been developed to improve the physical facilities and operations overall. CSWR engaged an independent engineer to make site inspections and thoroughly evaluate each facility from top to bottom. While the engineer identified multiple shortcomings for each system, the areas for improvement and required modifications were also identified. Bluegrass UOC has secured necessary funding and plans to address each system's shortcomings to bring each into compliance within the year following closing.

56. Bluegrass UOC anticipates spending \$2.9 million to address the problems identified by the engineer. Each transferring utility's system (and the two systems currently owned and operated by MCES) will have its collection facilities smoke tested and video inspected for diagnostic purposes, and the system will be mapped (or the existing mapping will be reviewed for accuracy). Several of the systems require major renovations, replacements of significant portions of the equipment, or other overhauls. Other examples of planned repairs and improvements are given in the following paragraphs.

57. The improvements being planned for the PR Wastewater treatment system are to: (1) replace surface aerators with a more efficient system; (2) evaluate sludge levels within the lagoon; (3) evaluate electrical service for any aeration modifications; (4) modify programming and electrical to either install an ultraviolet unit or auto-adjusting chlorine pump; and, (5) install rip-rap protection at the effluent point into creek.

58. The improvements being planned for the MCES Golden Acres treatment system are to: (1) provide flow equalization; (2) replace diffusers; (3) regrade around the treatment plant (to reduce inflow and infiltration) and install new fencing; and (4) install equipment for mission monitoring and de-chlorination. For the collection system, the work required includes installing a flow meter.

59. The improvements contemplated for the MCES Great Oaks treatment system are to: (1) provide flow equalization; (2) replace diffusers, return lines, and blowers; and (3) sand blast and repaint tankage and metal components.

60. In the near term, Bluegrass UOC will track expenses, revenues, and assets on a per-system basis. Each acquired utility will be treated as one system — except MCES, for which the facilities and operations for Great Oaks Subdivision (McCracken County) and Golden Acres

Subdivision (Marshall County) will each be treated as a separate system. Bluegrass UOC's plan is to report or cause each acquired utility to report its gross operating revenues derived from Kentucky business for calendar year 2019 through the date of closing, and then to report gross operating revenues on a combined basis for Bluegrass UOC from the date of closing through year-end 2019. However, Bluegrass UOC will follow any directives of the Commission requiring reporting for 2019 on a full-year basis for the systems, individually or in combination.

61. Over time, Bluegrass UOC will integrate the systems so that regulatory and technical standards are met on a uniform basis, and customers will be served under one tariff with uniform terms and conditions (including rates).

III. KRS 278.020(6), (7), and (10) standards

A. Bluegrass UOC has the financial, technical, and managerial abilities to provide reasonable service.

62. Bluegrass UOC, through its affiliation with and support from CSWR has the necessary abilities to provide services to the communities associated with the nine identified systems. CSWR's business plan is to pursue the purchase and recapitalization of failing water and wastewater systems and to operate those systems as investor-owned regulated utilities. Many of those systems are not currently regulated, and of those that are regulated by state utility commissions many, if not most, are not in full compliance with commission rules and with federal or state pollution laws and regulations. Many of those companies do not even have the federal or state permits required to lawfully operate those systems. Furthermore, many of the regulated companies do not have the financial resources necessary to build, maintain, and replace assets used to provide service or to bring their operations into full compliance with environmental and water quality regulations.

63. Because it has made the effort to find investment capital and investors who are willing to make investments and take the risks necessary to bring small water and wastewater systems into compliance with current statutes, rules, and regulations, CSWR, through its affiliates, has been able to acquire distressed systems, invest capital necessary to construct or repair physical facilities, and operate those systems in a way that satisfies customers, regulators, and investors alike. CSWR's business plan and the expertise its personnel provide to affiliates have proven successful in multiple states, and there is every reason to believe that record of success would continue if Bluegrass UOC is authorized to acquire the assets of these eight utilities and proceeds to operate those assets in the nine areas where these systems currently provide service.

64. The level of experience and expertise that CSWR currently provides to its affiliated systems in Missouri and Arkansas and that it would bring to the acquired systems is not usually available to small systems like those for which transfer approval is sought in this case. Furthermore, through economies of scale that CSWR's centralized management structures can achieve, this experience and expertise is available at a lower cost than would be the case if Bluegrass UOC or the individual acquired systems had to provide such expertise and support on its own. Where additional or supplemental expertise is required (*e.g.*, personnel holding licenses or certifications required by Kentucky law), Bluegrass UOC or CSWR will engage qualified independent contractors to satisfy those needs.

1. Financial ability

65. Bluegrass UOC has the financial capability necessary to acquire, own, and operate the transferring utilities' assets. US Water Capital, LLC will provide debt financing; First Round, equity financing. First Round's consolidated balance sheet and income statement for 2018 is attached to this Joint Application as redacted Exhibit L. A *pro forma* income statement

and balance sheet for Bluegrass UOC for the first year of its proposed operation of these systems are attached as redacted Exhibit N.⁶ The *pro forma* statements for Bluegrass UOC reflect the acquisition costs, the costs of the planned improvements, and the most-recent publicly-available reported annual operating expenses and revenues of the individual transferring utilities.

66. Bluegrass UOC has secured the commitment of equity capital and long-term loans to finance the acquisitions, the planned repairs and improvements, and operation of the systems.

2. Technical ability

67. As demonstrated by the success of CSWR's operating affiliates in Missouri and Arkansas, access to CSWR's technical resources has greatly improved the quality of service to its customers. If this Joint Application grants approval of the proposed acquisition and transfers, the same benefits would be brought to these systems and the customers they serve.

68. In addition, technical ability has been demonstrated by the pre-Closing work undertaken to identify system deficiencies and plan concrete steps to address them, bring the systems into compliance, and update and improve their operation.

3. Managerial ability

69. CSWR currently manages water and wastewater systems in Missouri and Arkansas that provide services to approximately 4,000 customers. Again, CSWR's actions in taking these previously failing systems and providing skilled management allowed these systems to reverse course from failing to complying with state and federal regulation while providing better service to a broader customer base. CSWR's experienced management team has extensive knowledge of how to address the issues that arise in small failing systems and resolve these

⁶ Joint Applicants are requesting confidential treatment of the redacted material in Exhibits L and N in a Joint Motion for Confidential Treatment submitted concurrently with this Joint Application.

issues to enable the systems to provide competent services, which would better serve the communities currently dependent on each of the nine systems (eight utilities) which this Joint Application addresses.

70. Managerial ability is also shown by the engagement of qualified third-party firms to provide operation and maintenance of the systems and customer service and billing, as well as in the oversight of these firms and functions by CSWR.

B. The proposed acquisition is to be made in accordance with the law, for a proper purpose, and is consistent with the public interest.

71. Bluegrass UOC's proposed acquisition of the nine identified systems, from the eight transferring utilities, is in accordance with the law, for a proper purpose, and is consistent with the public interest. The proposed acquisition thus meets the standards of KRS 278.020(7).

1. Made in accordance with the law

72. The proposed acquisitions and transfers will not occur before or without the Commission's approval therefor.

73. In addition to this application to the Commission, Applicants will make all required regulatory filings for the proposed transactions and expect to receive all required approvals. In particular, the Applicants will apply for the transfer of any KPDES permits for each system to Bluegrass UOC.

74. Each proposed transaction has been approved by Bluegrass UOC's member and by the board or member(s) of each transferring utility.

2. For a proper purpose

75. Bluegrass UOC is acquiring the utility assets to operate them for the purpose of providing reasonable, effective, and efficient wastewater service to existing and future customers.

76. The acquisitions will result in the transfer of assets to an entity that will have sufficient capital and operating funds to operate, maintain, and expand the systems. Aggregation of the assets and operations of the transferring utility in one operating company affiliated with entities that have substantial experience and expertise in operating wastewater systems is also likely to create economies of scale and scope that can sustain and improve existing service.

3. Consistent with the public interest

77. All the transferring utilities are struggling to comply with applicable state and federal regulations as well as provide services to customers. Full compliance with both state and federal regulations is imperative for purposes of health and safety, and the customers would receive better service. CSWR has researched the state of the existing systems and has concrete plans and the financial commitment to bring these systems in compliance to serve the customers and community as a whole.

78. The acquired sewer systems are all troubled or marginal as they exist now. It is in the public interest that these sewer utility systems be acquired by an entity that will professionalize the operations and has a focus on long-term ownership, substantial resources, and affiliation with experienced sewer-system owner-operators.

C. Bluegrass UOC has provided evidence of financial integrity to ensure the continuity of sewer service in the event that Bluegrass UOC cannot continue to provide service.

79. Bluegrass UOC has provided herewith evidence of its financial integrity to ensure the continuity of wastewater service in paragraphs 44-45 and 65-66 above and in attached redacted Exhibits L and N.

80. To the extent that the Commission requires further evidence of financial integrity not found in the cited paragraphs and Exhibits, Bluegrass UOC will provide such information upon Commission request in this matter.

IV. Conclusion

WHEREFORE, the Applicants request that the Commission grant expedited consideration and relief as follows:

- (1) Issue a final order regarding this Joint Application within the 60-day period provided in KRS 278.020(7);
- (2) Grant this Joint Application as submitted or, in the alternative, with appropriate terms and conditions prescribed;
- (3) Permit Bluegrass UOC after the proposed acquisition/transfer to operate the transferred utility assets in accordance with the respective tariffs, adopted by Bluegrass UOC; and
- (4) Relieve each transferring utility of any further utility obligations after it has transferred its assets.

Respectfully submitted,

/s/ Katherine K. Yunker

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Attorneys for Joint Applicants



June 25, 2019

RECEIVED
COMMUNICATIONS SECTION
JUN 26 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Jones Rolling Ridge Water Company

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Jones Rolling Ridge Water Company. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO Bull 15 dump ROUTE FROM _____
DEPT. Bull DATE 6/26 DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. KNR-10

PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION

Seller: Jones Rolling Ridge Water Company

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Jones Rolling Ridge Water Company ("Jones Rolling Ridge") seeks an order reflecting the Commission's approval of, or non-opposition to, Jones Rolling Ridge's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Jones Rolling Ridge owns and uses to provide regulated water and wastewater utility service to customers in Caddo Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Jones Rolling Ridge currently provides regulated water and wastewater services to approximately 39 water and approximately 60 wastewater customers in Caddo Parish. Jones Rolling Ridge is a Louisiana sole proprietorship whose principal office is at 9278 Stratmore, Shreveport, Louisiana, 71129. All notices and other official documents related to the application should be sent to the attention of Brenda Jones at that address or to the following email address: brendaandwilliejones@gmail.com.

Magnolia proposes to buy and Jones Rolling Ridge proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater service in Louisiana. Central States and Jones Rolling Ridge entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance

with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Jones Rolling Ridge's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Jones Rolling Ridge and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Jones Rolling Ridge.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Jones Rolling Ridge have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana

Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water and wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

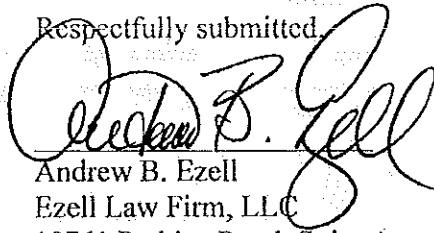
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Jones Rolling Ridge is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Jones Rolling Ridge.
9. The proposed transfer would be fair and reasonable to the owners of Jones Rolling Ridge, as evidenced by the fact that without their consent Jones Rolling Ridge could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Jones Rolling Ridge's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Jones Rolling Ridge's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.

12. Neither Jones Rolling Ridge nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater treatment system consists of a single cell lagoon, which is believed to be operating without a permit. The system is in need of upgrades to meet anticipated permit limits for ammonia, biochemical oxygen demand (BOD) and e. coli, with additional improvements necessary to increase system aeration. The system also requires installation of a moving bed biofilm reactor (MBBR) and an ultraviolet disinfection unit. The water system consists of a single active deep well and hydropneumatics tank and is disinfected through liquid chlorination prior to distribution. That system requires upgrades to extend the life of the facility and provide safer controlled service. These upgrades would include installation of remote monitoring, miscellaneous maintenance of existing components, and installation of chlorine equipment with constant monitoring. The total estimated cost of these upgrades is approximately \$374,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.

17. CSWR would invest equity capital to purchase Jones Rolling Ridge's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

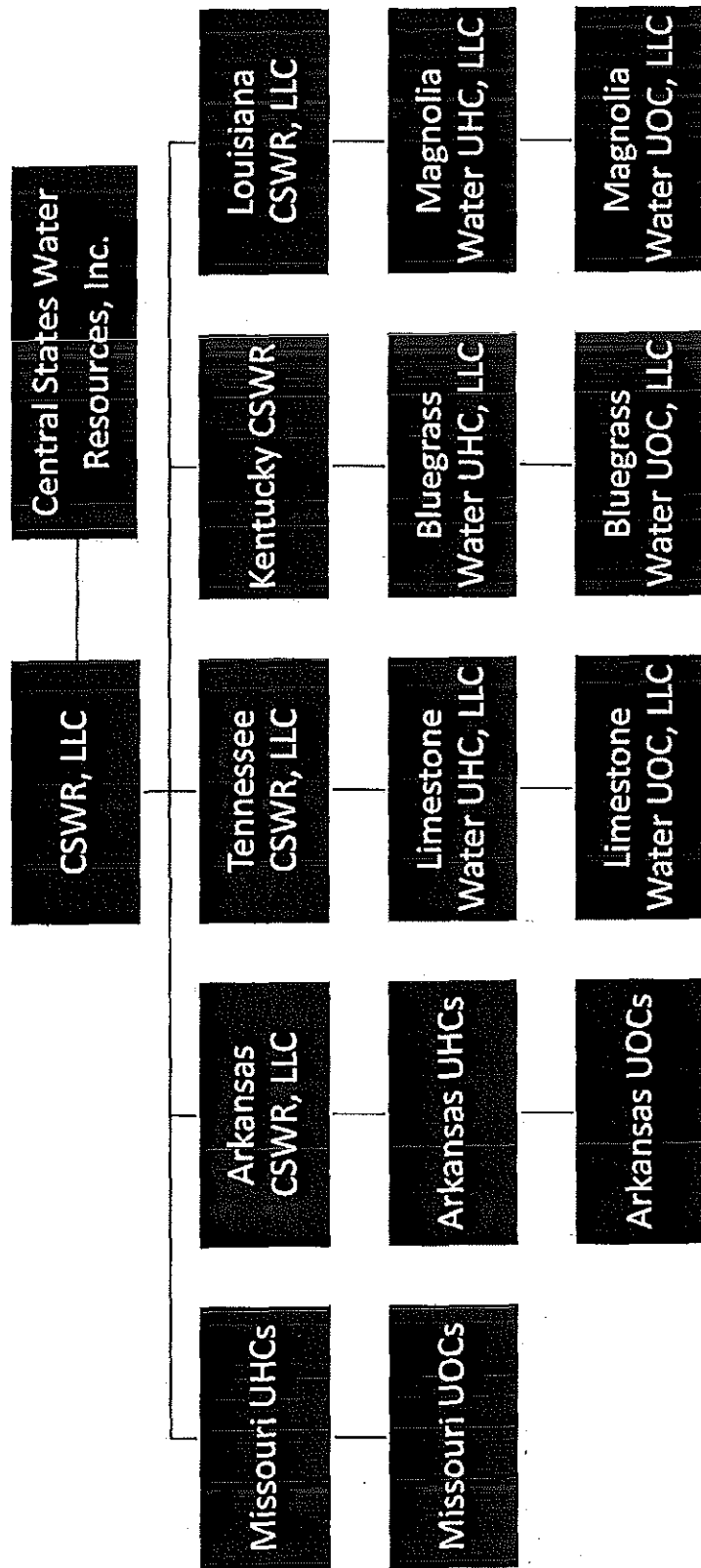


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

2019 JUN 25 PM 3:51
LA PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
S & S Sewage [Sewer] Treatment

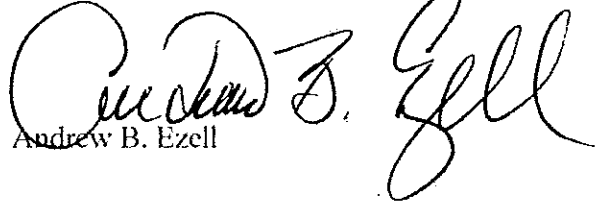
Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by S & S Sewage [Sewer] Treatment. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC


Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO Bull ^{15 days} DATE 6/24 ROUTE FROM
DEPT. _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
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DEPT. _____ DATE Schedule KNR-10 DEPT. _____
Part I of 3

2019 JUN 25 11:51
LA PUBLIC SERVICE COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: S & S Sewer Systems, LLC

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, S & S Sewer Systems, LLC ("S & S Sewer") seeks an order reflecting the Commission's approval of, or non-opposition to, S & S Sewer's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property S & S Sewer owns and uses to provide regulated wastewater utility service to customers in Lincoln Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

S & S Sewer currently provides regulated wastewater service to approximately 57 rural customers in a single system in Lincoln Parish. S & S Sewer is a Louisiana limited liability company whose principal office is at 106 Cedar Drive, Ruston, Louisiana, 71273. All notices and other official documents related to the application should be sent to the attention of Scott Hearne at that address or to the following email address: hearnehomeinspections@gmail.com.

Magnolia proposes to buy and S & S Sewer proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and S & S Sewer entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential"

because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire S & S Sewer's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, S & S Sewer and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for S & S Sewer.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like S & S Sewer have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

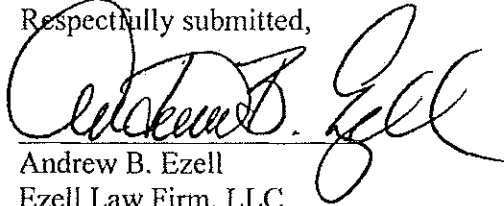
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because S & S Sewer is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of S & S Sewer.
9. Because it is a limited liability company, S & S Sewer has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, S & S Sewer could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where S & S Sewer's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire S & S Sewer's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither S & S Sewer nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: S & S Sewer's treatment facilities consist of a single wastewater lagoon. Magnolia would add a moving bed biofilm reactor (MBBR) to enhance the biological waste removal process. It also would replace the existing chlorine disinfection/de-chlorination system with an ultra-violet disinfection system. Magnolia also would remove accumulated solids from the existing lagoon. The total estimated cost of these upgrades is in the process of being determined.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase S & S Sewer's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

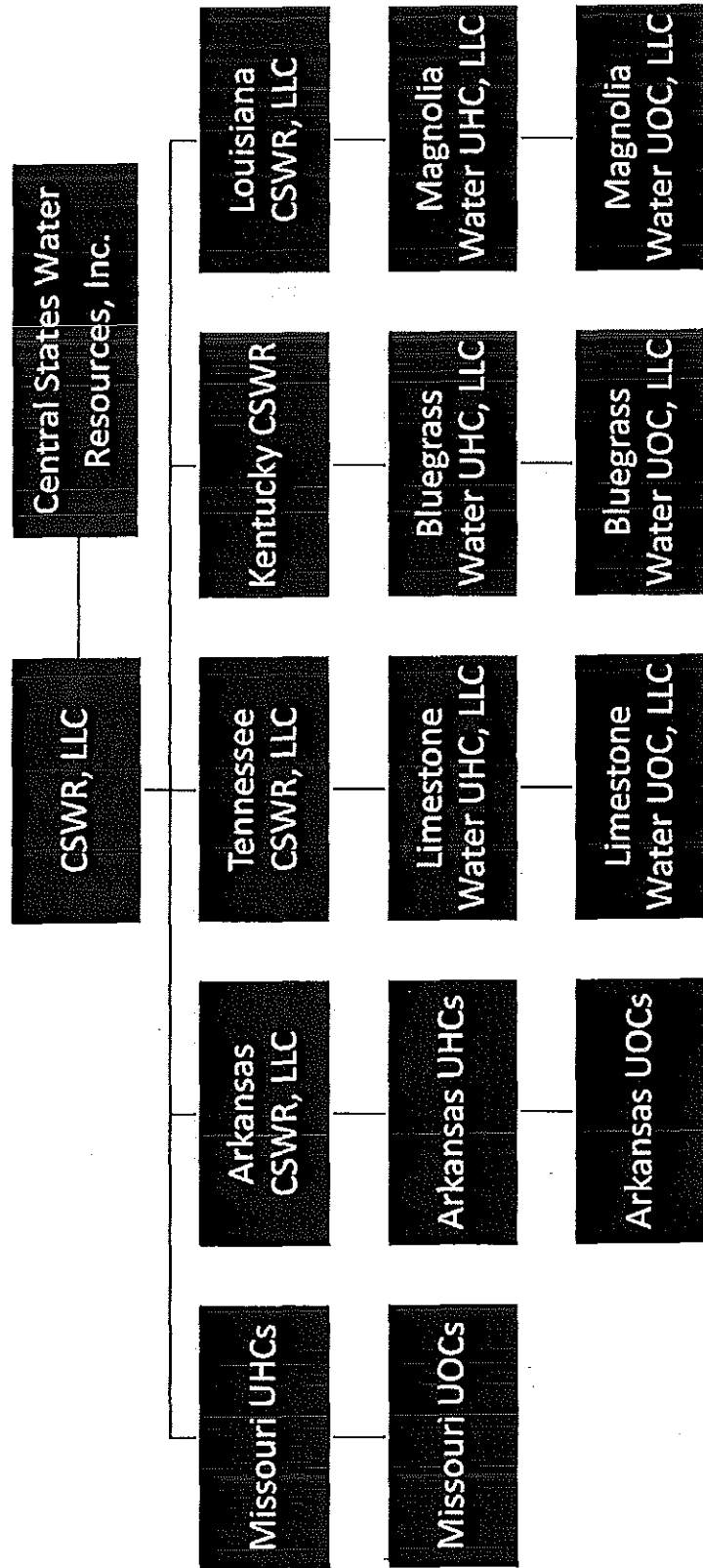


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



2019 JUN 25 PM 3:52

June 25, 2019

LA PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Superior Sewerage Corporation

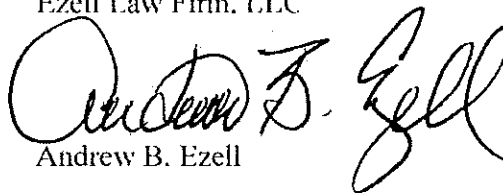
Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Superior Sewerage Corporation. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC


Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Bull-15 stamp</i>	ROUTE FROM
DEPT. _____	DATE <i>6/26</i>	DEPT. _____
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2019 JUN 25 11:35
LA PUBLIC SERVICE COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Superior Sewerage Corporation

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Superior Sewerage Corporation ("Superior") seeks an order reflecting the Commission's approval of, or non-opposition to, Superior's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Superior owns and uses to provide regulated wastewater utility service to customers in Lafourche Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Superior currently provides regulated wastewater service to approximately 488 customers in the Darwen, Elmwood Estates, Sugar Ridge, Seablue Lane and Landmark Estates subdivisions in Lafourche and Terrebonne Parishes. Superior is a Louisiana corporation, whose principal office is at 403 North Main Project Road, Schriever, Louisiana, 70395. All notices and other official documents related to the application should be sent to the attention of Joshua D. LaJaunie at that address or to the following email address: joshlajaunie@gmail.com.

Magnolia proposes to buy and Superior proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Superior entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's

rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Superior's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Superior and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Superior.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Superior have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflected some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

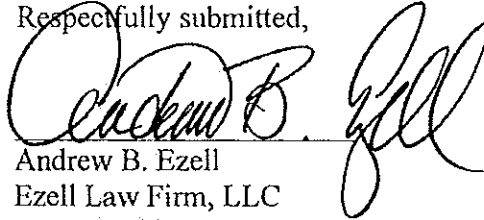
Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Superior is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Superior.
9. The proposed transfer would be fair and reasonable to the majority of Superior's shareholders, as evidenced by the fact that without the consent of its shareholders Superior could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Superior's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Superior's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Superior nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-

compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)

14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The five wastewater systems include three mechanical plants and two lagoons. Magnolia would make necessary repairs to these facilities and add remote monitoring equipment to the mechanical plants and lift stations. One lagoon system would require installation of a moving bed biofilm reactor (MBBR) treatment process to enhance biological removal. Both lagoons would require tree and vegetation removal from existing berms as well as berm repair and stabilization. The total estimated cost of these upgrades is approximately \$440,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Superior's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

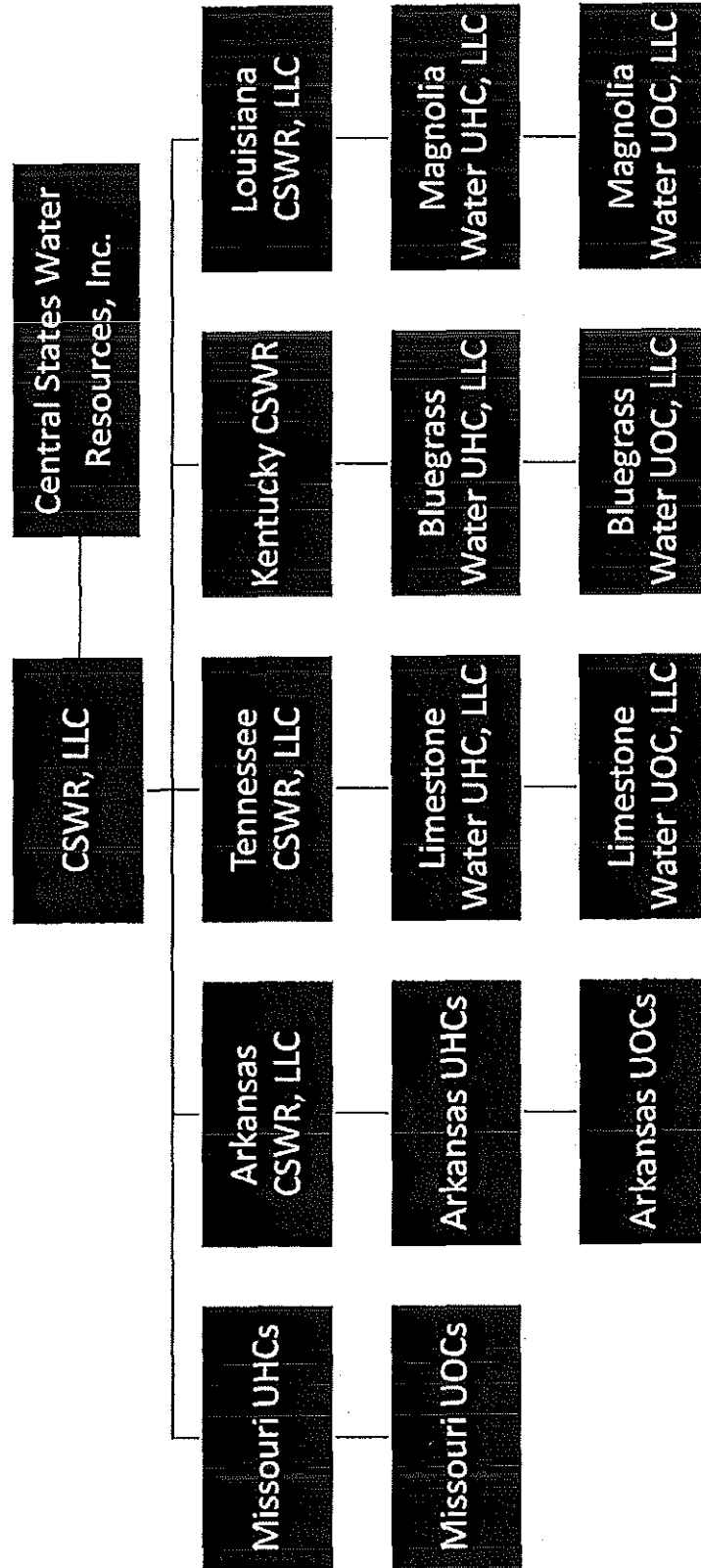


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

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June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

RECEIVED
LSC
JUN 28 2019

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Suburban Water Company, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Suburban Water Company, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Bull-15d</i>	ROUTE FROM
DEPT. _____	DATE <i>4/26</i>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____

2019 JUN 25 11:01 AM
COMM. SECRET.

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Suburban Water Company, Inc. d/b/a Dixie Garden Water Supply

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Suburban Water Company, Inc. d/b/a Dixie Garden Water Supply ("Dixie Garden") seeks an order reflecting the Commission's approval of, or non-opposition to, Dixie Garden's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Dixie Garden owns and uses to provide regulated water utility service to customers in Caddo Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Dixie Garden currently provides regulated water service to approximately 188 customers in the Dixie Garden and Kingshighway subdivisions in Caddo Parish. Dixie Garden is a Louisiana corporation, in good standing, whose principal office is at P.O. Box 7, Keithville, Louisiana, 71407. All notices and other official documents related to the application should be sent to the attention of Jerry Taylor, the company's President, at that address or to the following email address: chestnut1099@gmail.com.

Magnolia proposes to buy and Dixie Garden proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water service in Louisiana. Central States and Dixie Garden entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the

Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Dixie Garden's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Dixie Garden and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Dixie Garden.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Dixie Garden have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

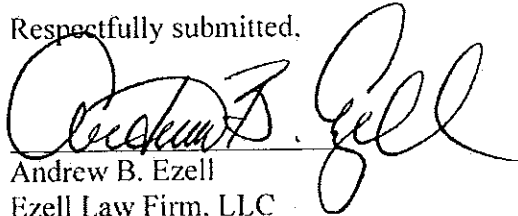
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the

operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Dixie Garden is the only water utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Dixie Garden.
9. The proposed transfer would be fair and reasonable to the majority of Dixie Garden's shareholders, as evidenced by the fact that without the consent of its shareholders Dixie Garden could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Dixie Garden's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water service at fair and reasonable rates. Authorizing Magnolia to acquire Dixie Garden's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water system.
12. Neither Dixie Garden nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The Suburban/Dixie Gardens system is made up of two service areas and the systems provides water service within the service areas. The system consists of only distribution and does not include production. The city that sells water to the system does chlorinate the water. The systems are in need of upgrades to extend the life of the distribution systems and provide safer controlled service. The main upgrades for these systems consist of installation of remote monitoring, miscellaneous maintenance items on the existing components, and installation of a chlorinate analyzer and a remote monitoring system. The total estimated cost of these upgrades is approximately \$38,000
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Dixie Garden's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell

Ezell Law Firm, LLC

10761 Perkins Road, Suite A

Baton Rouge, LA 70810

Telephone: (225) 763-2272

Facsimile: (225) 763-2273

aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

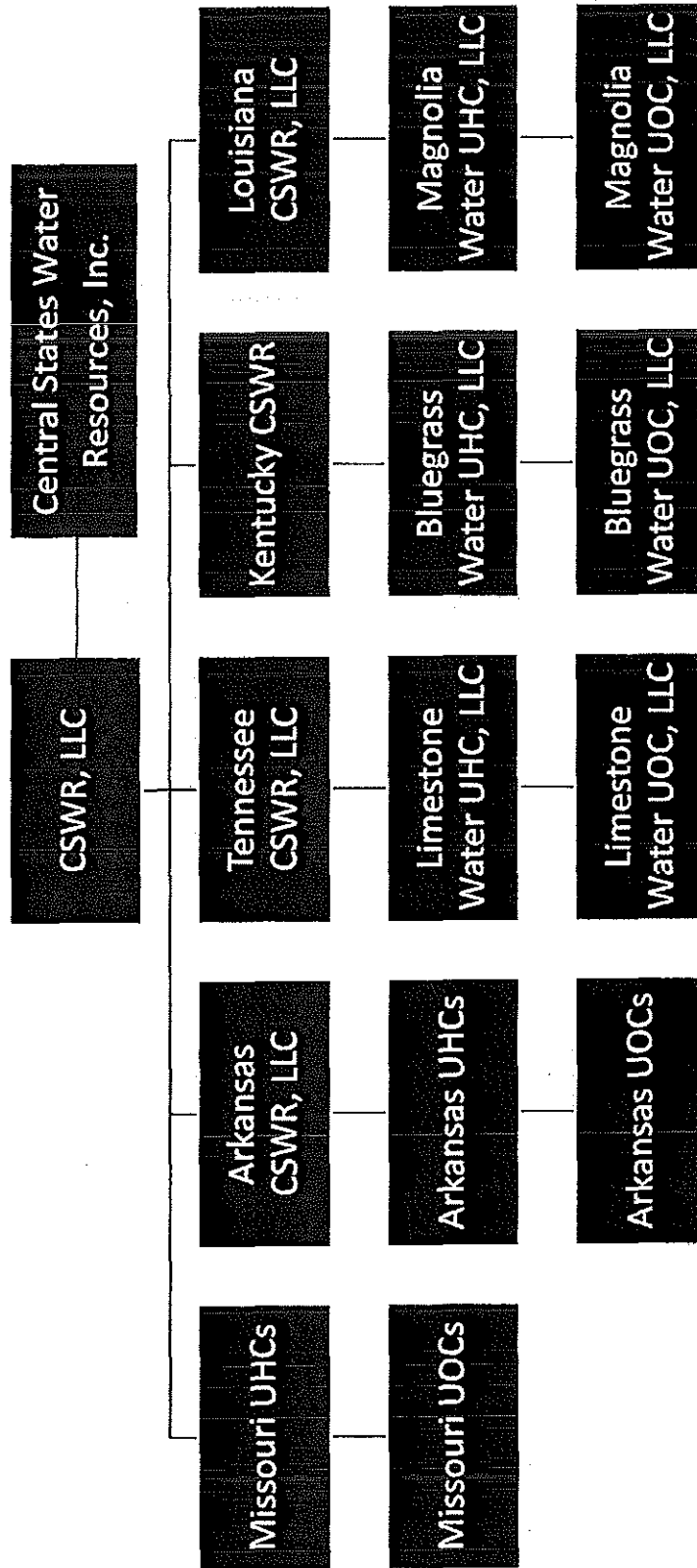


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

RECEIVED
L.P.S.C.
JUN 28 2019
602 N. ST.
BATON ROUGE, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Cherry Ridge Utilities, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Cherry Ridge Utilities, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Bull-15 days</i>	ROUTE FROM
DEPT. <u>Bull</u>	DATE <u>6/24</u>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____

L.S. PUBLIC SERVICE COMMISSION
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Cherry Ridge Utilities, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Cherry Ridge Utilities, Inc. ("Cherry Ridge") seeks an order reflecting the Commission's approval of, or non-opposition to, Cherry Ridge's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Cherry Ridge owns and uses to provide regulated wastewater utility service to customers in Morehouse Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Cherry Ridge currently provides regulated wastewater service to approximately 242 customers in the Andrews subdivision in Morehouse Parish. Cherry Ridge is a Louisiana corporation, whose principal office is at P.O. Box 115, Bastrop, Louisiana, 71221. All notices and other official documents related to the application should be sent to the attention of James D. Christmas, the company's Vice President, at that address or to the following email address: jimmy@christmasrealty.com.

Magnolia proposes to buy and Cherry Ridge proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Cherry Ridge entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the

Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Cherry Ridge's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Cherry Ridge and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Cherry Ridge.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Cherry Ridge have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the

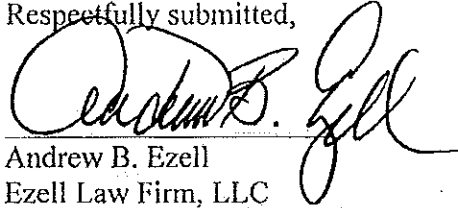
operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Cherry Ridge is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Cherry Ridge.
9. The proposed transfer would be fair and reasonable to the majority of Cherry Ridge's shareholders, as evidenced by the fact that without the consent of its shareholders Cherry Ridge could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Cherry Ridge's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Cherry Ridge's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Cherry Ridge nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. . In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: Cherry Ridge's system consists of one single-celled oxidation pond with no aeration followed by disinfection by chlorine gas. The company's facilities would require major improvements and upgrades, which would include, but not be limited to, adding aeration to the existing lagoon, installation of integrated fixed film activated sludge (IFAS) equipment or installation of moving bed biofilm reactor (MBBR) equipment. To address suspended solids in the system's effluent, Magnolia also would likely add either a clarifier or filter system to the end of the plant. It also is likely the existing chlorination would need to be replaced with an ultraviolet system. The total estimated cost of these upgrades is approximately \$460,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Cherry Ridge's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

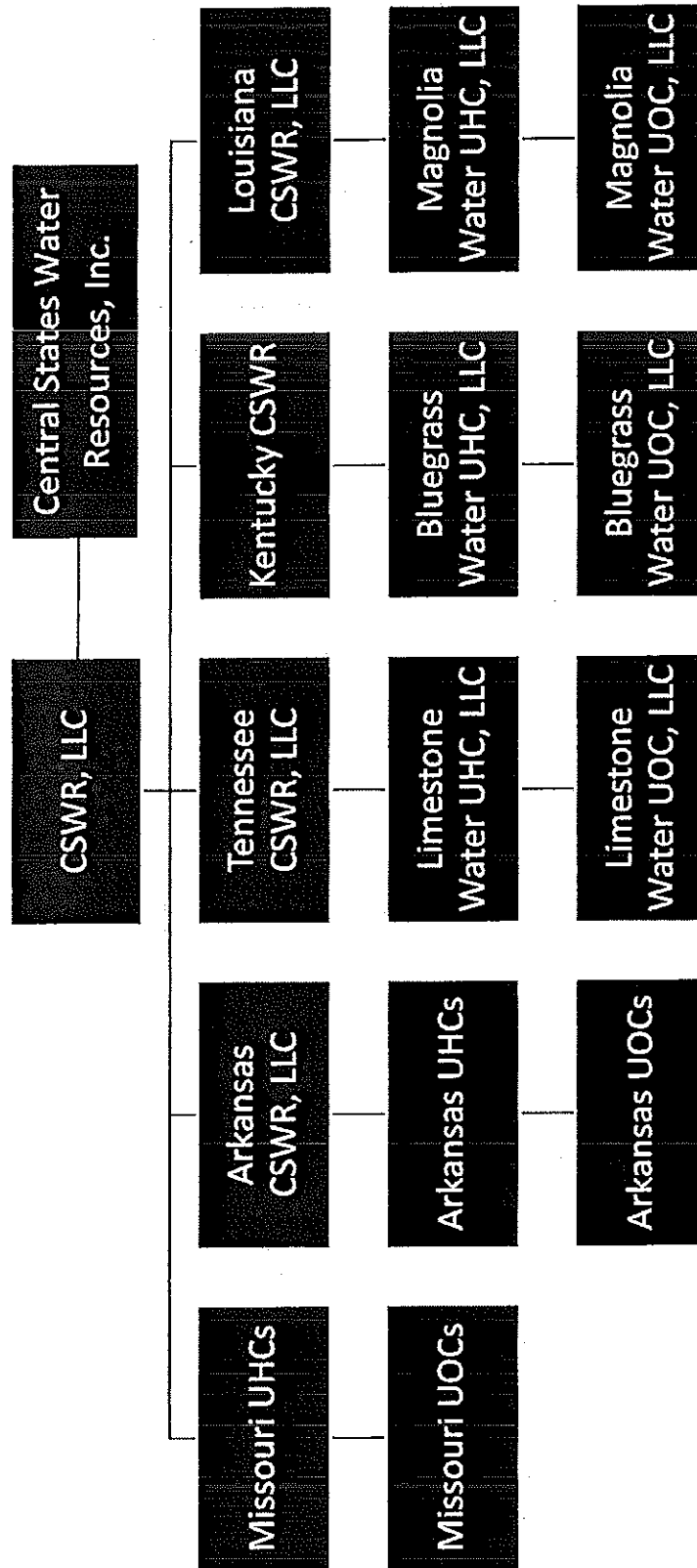


EXHIBIT B - PUBLIC

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EXHIBIT C - PUBLIC

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2019 JUN 25 11:31 AM
LA PUBLIC SERVICE
COMMISSION

June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Major Sanitary and Sewage

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Major Sanitary and Sewage. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<i>Skay</i>	ROUTE FROM
DEPT. <i>Bull</i>	DATE <i>6/26</i>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____

PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION

Seller: James Major d/b/a Major Sanitary & Sewerage
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, James Major d/b/a Major Sanitary and Sewerage ("Major") seeks an order reflecting the Commission's approval of, or non-opposition to, Major's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Major owns and uses to provide regulated wastewater utility service to customers in Pointe Coupee Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Major currently provides regulated wastewater service to approximately 250 customers in Pointe Coupee Parish. Major is a Louisiana sole proprietorship whose principal office is at 7913 Park Street, Ventress, Louisiana, 70783. All notices and other official documents related to the application should be sent to the attention of John Major at that address or to the following email address: caomajors@gmail.com.

Magnolia proposes to buy and Major proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Major entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains

information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Major's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Major and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Major.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Major have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

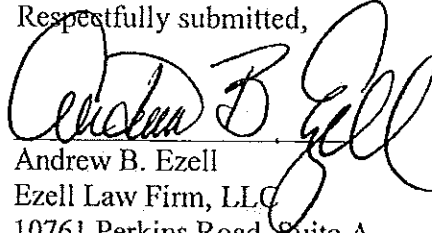
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Major is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Major.
9. The proposed transfer would be fair and reasonable to the owners of Major, as evidenced by the fact that without their consent Major could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Major's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Major's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Major nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a mechanical plant in design and covers a single service area. Magnolia would make necessary repairs to the facility and add flow metering and remote monitoring equipment to the mechanical plant and remote metering to other system components as needed. In addition, we plan to investigate the wastewater collection systems for inflow/infiltration problems. The total estimated cost of these upgrades is approximately \$110,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Major's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

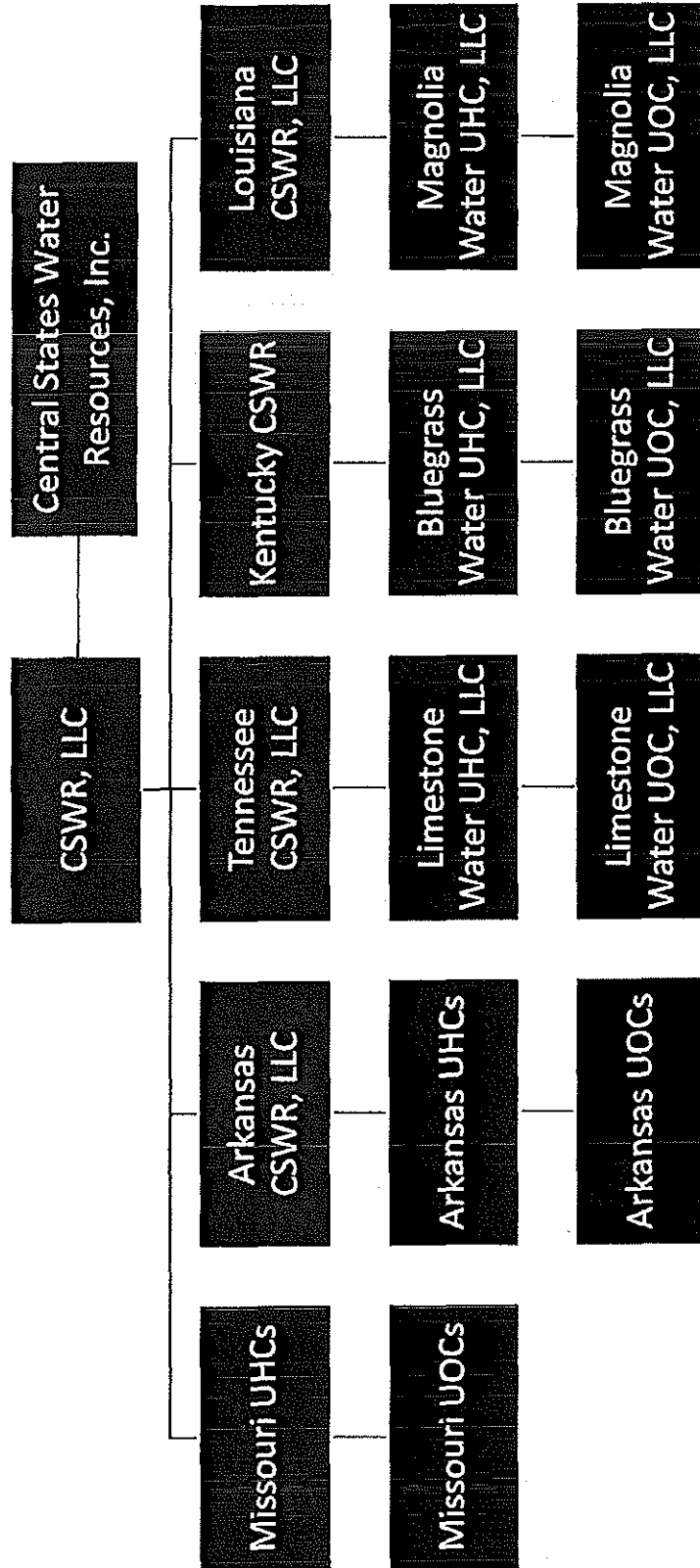


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

2019 JUN 26 11 3: 51

LA. PUBLIC SERVICE COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Colonial Oaks Subdivision Water & Sewerage
Utilities, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Colonial Oaks Subdivision Water & Sewerage Utilities, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO	<u>45000</u>	ROUTE FROM
DEPT. <u>Bull</u>	DATE <u>6/26</u>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE <u>Schedule KNRE-00</u>	DEPT. _____

RECEIVED
PUBLIC SERVICE COMMISSION
NOV 10 2010

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Colonial Oaks Water & Sewerage Utilities, Inc.
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Colonial Oaks Water & Sewerage Utilities, Inc. ("Colonial Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Colonial Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Colonial Oaks owns and uses to provide regulated wastewater utility service to customers in Ascension Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Colonial Oaks currently provides regulated wastewater service to approximately 72 customers in the Colonial Oaks subdivision in Ascension Parish. Colonial Oaks is an inactive Louisiana corporation whose principal office is at 42305 Bayou Narcisse Road, Gonzales, Louisiana, 70737. All notices and other official documents related to the application should be sent to the attention of Susan Denham at that address.

Magnolia proposes to buy and Colonial Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Colonial Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential"

because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Colonial Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Colonial Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Colonial Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Colonial Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

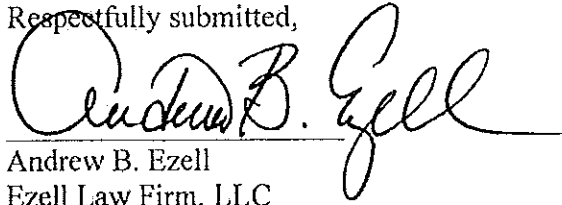
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Colonial Oaks is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Colonial Oaks.
9. Because it is a limited liability company, Colonial Oaks has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, Colonial Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Colonial Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Colonial Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Colonial Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a lagoon system by design and serves a single service area. Magnolia would make necessary repairs to this facility and add flow metering and remote monitoring equipment to the wastewater facility. The lagoon system would require vegetation removal from existing berms as well as berm repair and stabilization. This facility also requires installation of an all-weather access road and fencing repairs/replacement for safety and security. The total estimated cost of these upgrades is approximately \$248,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Colonial Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

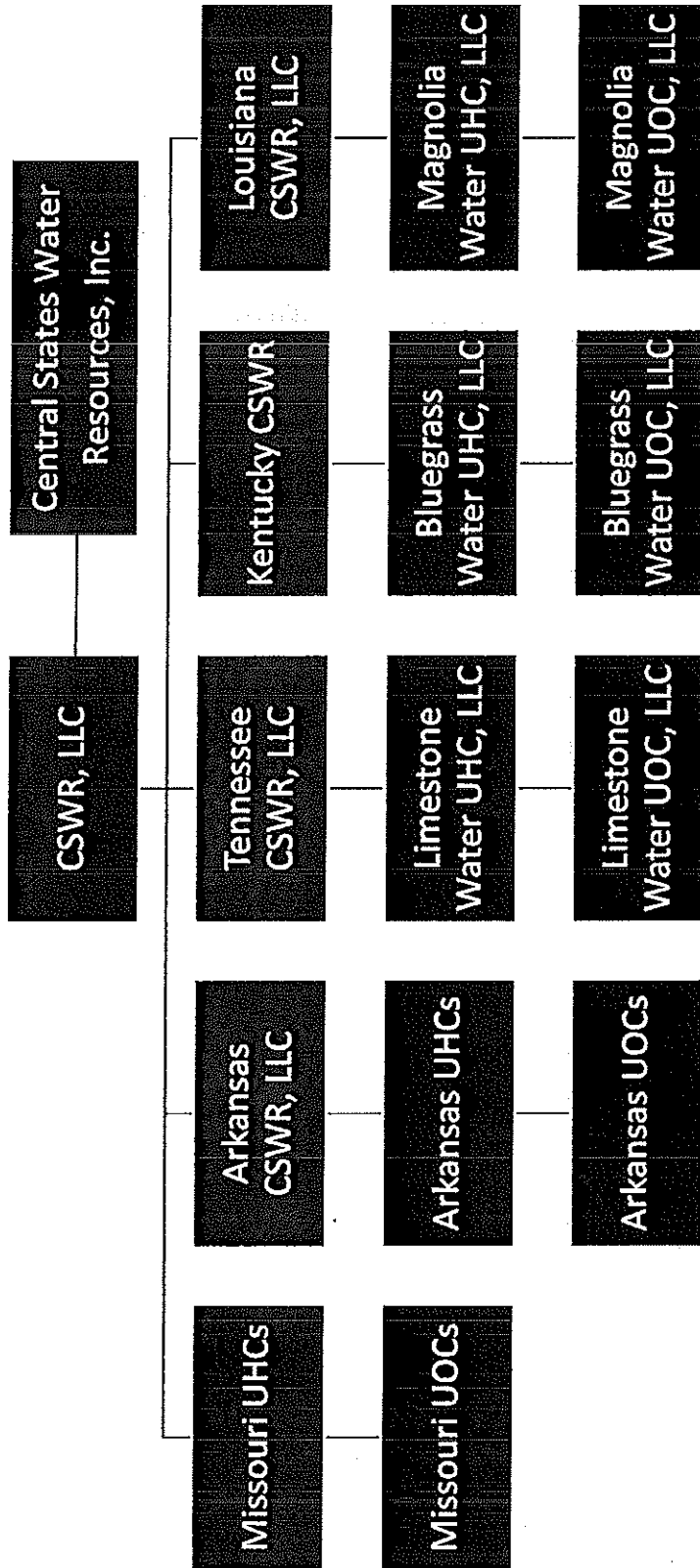


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

2019 JUN 26 11:08 AM
LA PUBLIC SERVICE COMMISSION

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Evangeline Oaks Water Systems, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Evangeline Oaks Water Systems, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO Bull-15 days ROUTE FROM _____
DEPT. Bull DATE 6/26 DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
Schedule KNR-10

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Evangeline Oaks Water Systems, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Evangeline Oaks Water Systems, Inc. ("Evangeline Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Evangeline Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Evangeline Oaks owns and uses to provide regulated water utility service to customers in Bossier Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Evangeline Oaks currently provides regulated water service to approximately 65 customers in Evangeline Oaks subdivision in Bossier Parish. Evangeline Oaks is a Louisiana corporation, in good standing, whose principal office is at 7730 Chesapeake Drive, Shreveport, Louisiana, 71105. All notices and other official documents related to the application should be sent to the attention of Larry Laborde, the company's President, at that address or to the following email address: llaborde@CDSwater.com.

Magnolia proposes to buy and Evangeline Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Evangeline Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance

with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Evangeline Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Evangeline Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Evangeline Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Evangeline Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana

Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition. Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its

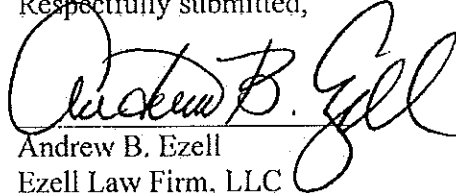
affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Evangeline Oaks is the only water utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Evangeline Oaks.
9. The proposed transfer would be fair and reasonable to the majority of Evangeline Oaks' shareholders, as evidenced by the fact that without the consent of its shareholders Evangeline Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Evangeline Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water service at fair and reasonable rates. Authorizing Magnolia to acquire Evangeline Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water system.
12. Neither Evangeline Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: Evangeline Oaks' system consists of two active and one inactive well. Each active well is connected to a hydropneumatics tank that supplies water to the distribution system. Magnolia's efforts to bring the system into compliance, avoid past problems with failures, monitor the system, and file test reports would initially focus on establishing comprehensive testing documentation procedures to prevent future violations. A mission control system would be installed to monitor chlorine levels and other basic system information, thereby eliminating past incidents where fecal coliform levels were exceeded. The system was cited for inadequate disinfection and testing violations, and boil orders were issued. The total estimated cost of these upgrades would be approximately \$113,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Evangeline Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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Baton Rouge, LA 70810
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Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

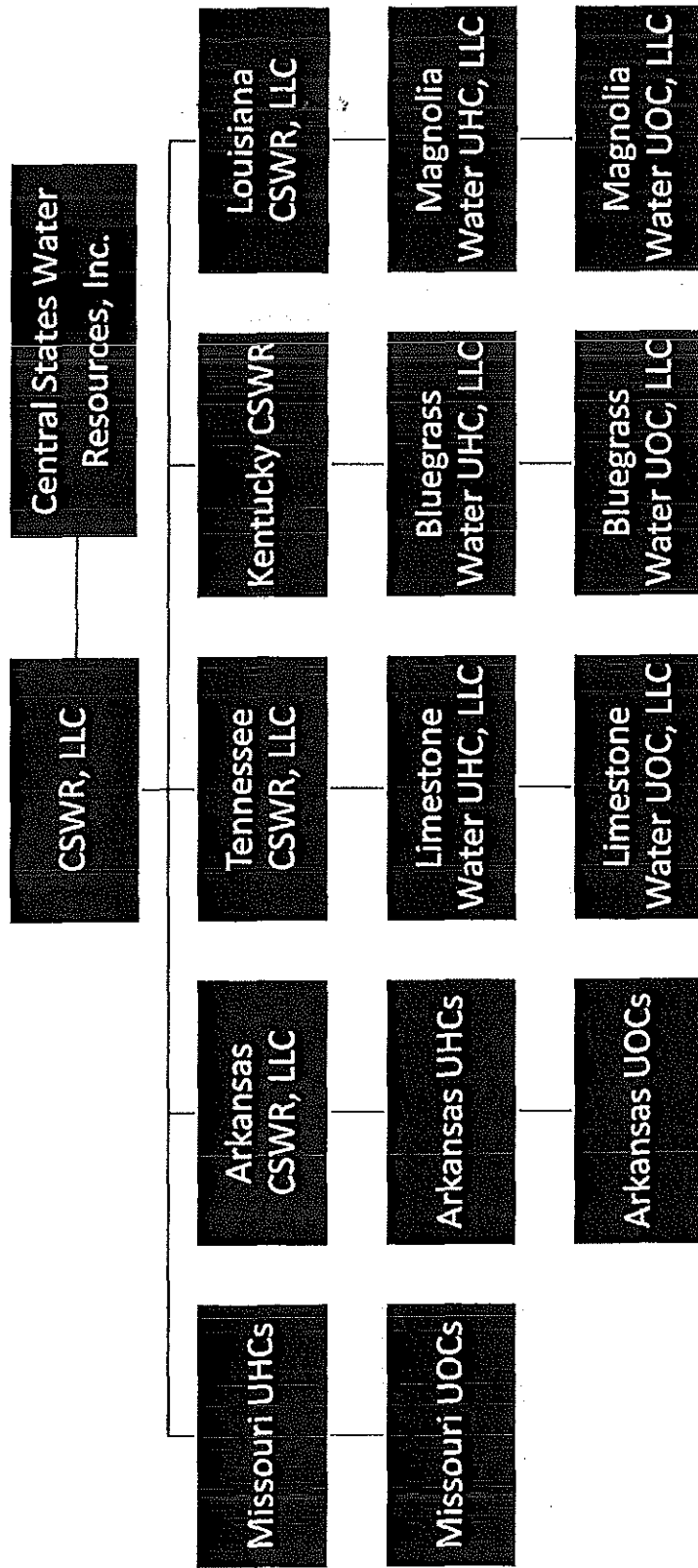


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



EZELL LAW FIRM, LLC

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2019 JUN 25 PM 3:47

JUNE 25, 2019 PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Olde Oaks Sewer System, LLC

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Olde Oaks Sewer System, LLC. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO ^{-15 days} Bull DATE 6/25 ROUTE FROM

DEPT. _____ DATE _____ DEPT. _____

DEPT. _____ DATE _____ DEPT. _____

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2019 JUN 25 PM 3:47

LA PUBLIC SERVICE
COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WASTEWATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Olde Oaks Sewer System, LLC

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Olde Oaks System, LLC ("Olde Oaks") seeks an order reflecting the Commission's approval of, or non-opposition to, Olde Oaks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Olde Oaks owns and uses to provide regulated wastewater utility service to customers in Bossier Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Olde Oaks currently provides regulated wastewater service to approximately 101 customers in the Olde Oaks subdivision in Bossier Parish. Olde Oaks is a Louisiana limited liability company whose principal office is at 3404 Jones Creek Road, Baton Rouge, Louisiana, 70816. All notices and other official documents related to the application should be sent to the attention of Yueqin ("Eugene") Ji, the company's Member/Manager, at that address or to the following email address: grpstars@yahoo.com.

Magnolia proposes to buy and Olde Oaks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated wastewater service in Louisiana. Central States and Olde Oaks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the

Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Olde Oaks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant wastewater service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Olde Oaks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Olde Oaks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Olde Oaks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

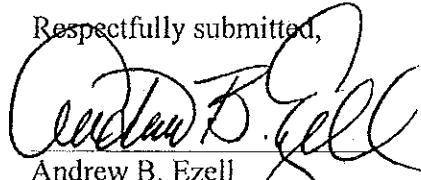
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because Olde Oaks is the only wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Olde Oaks Sewer.
9. Because it is a limited liability company, Olde Oaks has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, Olde Oaks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Olde Oaks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable wastewater service at fair and reasonable rates. Authorizing Magnolia to acquire Olde Oaks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject wastewater system.
12. Neither Olde Oaks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The wastewater system is a mechanical plant in design and covers a single service area. Magnolia would make necessary repairs to the facility and add flow metering and remote monitoring equipment to the mechanical plant and remote metering to other system components as needed. In addition, Magnolia plans to investigate the wastewater collection systems for inflow/infiltration problems. The total estimated cost of these upgrades is approximately \$83,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Olde Oaks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

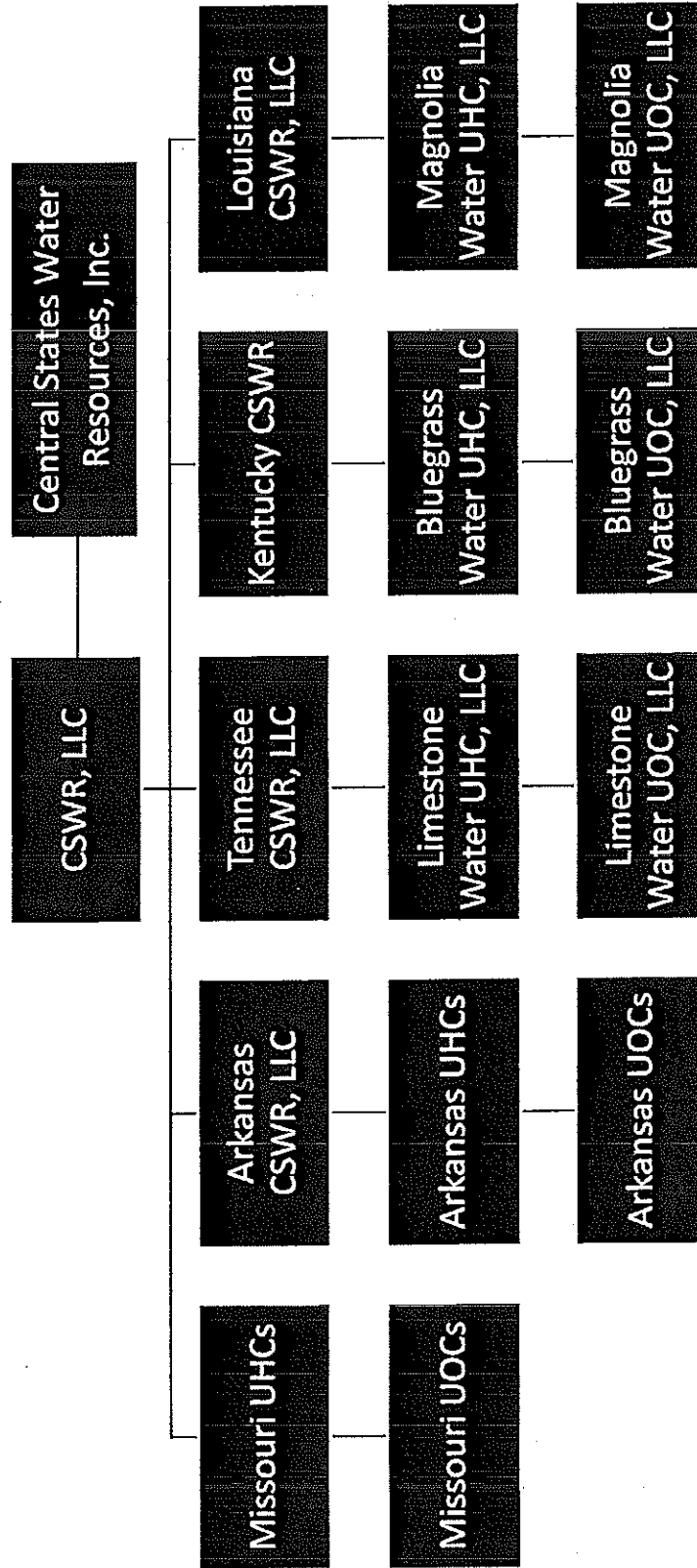


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Fryc
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

2019 JUN 25 11 36 AM
LA PUBLIC SERVICE
COMMISSION

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Coast Waterworks, Incorporated

Dear Mr. Fryc:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Coast Waterworks, Incorporated. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO	¹⁵	ROUTE FROM
DEPT. <u>Bull</u>	DATE <u>6/26</u>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

2819
25
11:30
L. J. COX
PRESIDENT
MISSOURI

Seller: Coast Waterworks, Incorporated
Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Coast Waterworks, Incorporated ("Coast Waterworks"), seeks an order reflecting the Commission's approval of, or non-opposition to, Coast Waterworks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Coast Waterworks owns and uses to provide regulated water and wastewater utility service to customers in St. Tammany Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Coast Waterworks currently provides regulated water and wastewater services to approximately 5,000 customers in two communities in St. Tammany Parish: Eden Isle and The Meadowlands. Coast Waterworks is a Mississippi corporation, duly authorized to conduct business in Louisiana, whose principal office is at 2786 Pass Road, Biloxi, Mississippi, 63074. All notices and other official documents related to the application should be sent to the attention of C. T. Switzer at that address or to the following email address: cts1952@aol.com.

Magnolia proposes to buy and Coast Waterworks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater service in Louisiana. Central States and Coast Waterworks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the

agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Coast Waterworks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Coast Waterworks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Coast Waterworks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Coast Waterworks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary

discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia has the technical, managerial, and financial expertise and experience necessary to own and operate the water and wastewater utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable water and wastewater services at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Coast Waterworks is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Coast Waterworks.
9. The proposed transfer would be fair and reasonable to the majority of Coast Waterworks' shareholders, as evidenced by the fact that without the consent of its shareholders Coast Waterworks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Coast Waterworks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Coast Waterworks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.

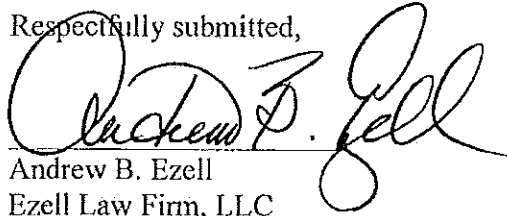
12. Neither Coast Waterworks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition:
 - a. The wastewater system serving the Eden Isle community consists of an extended aeration plant with flow equalization, chlorination, de-chlorination, a traveling bridge filter, and aerated sludge disposal by a contract hauler. Each home within the community has a septic tank and pump with graywater sent to the utility's plant for centralized treatment. That plant has had serious and ongoing disinfections issues due to a faulty chlorination system. The plant also has experienced mechanical failures in the aeration and pumping systems and does not have remote monitoring or sensing equipment. Necessary improvements would include building repair, structural tank repair and painting, overhauling or replacing aeration and pumping systems and replacing the existing chlorine disinfection/de-chlorination system with an ultraviolet system. A new tertiary filtration system also would be added to support biological treatment, promote system resilience, and remove total suspended solids.

- b. The Eden Isle water system is in good shape because it was constructed within the past 20 years using modern materials. However, the existing system needs back-up pumping and the water tower requires painting and refurbishment. The system also lacks remote monitoring, real time chlorine disinfection monitoring, or any usage-sensitive equipment. Conversion from chlorine gas to sodium hypochlorite will also be completed. Magnolia would address each of these deficiencies.
- c. Like Eden Isle, each home in the The Meadowlands has a septic tank and pump with greywater pumped to a centralized treatment facility. The existing plant has had ongoing disinfection issues due to a faulty chlorination system. The plant's aeration and clarification systems also have had several minor mechanical failures, and the plant lacks any remote monitoring or sensing equipment. Magnolia would perform building repair, structural tank repair and painting, overhaul or replace aeration systems and mechanical systems supporting clarification. The existing chlorine disinfection/de-chlorination system would be replaced by an ultraviolet disinfection system, and a new tertiary filtration system would be added to support biological treatment, promote system resiliency, and remove suspended solids.
- d. The Meadows' drinking water system is in good shape because it was constructed within the past 20 years using modern materials. However, the system needs back-up pumping systems and the water tower requires painting and refurbishment. The plant also lacks remote monitoring, real time chlorine disinfection monitoring, and usage-sensitive equipment. Conversion from chlorine gas to sodium hypochlorite will also be completed. Magnolia would address each of these deficiencies.

The total estimated cost of the upgrades described above is approximately \$4,800,000.

- 16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
- 17. CSWR would invest equity capital to purchase Coast Waterworks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
- 18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew B. Ezell". The signature is written in a cursive style with a large initial "A" and "E".

Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

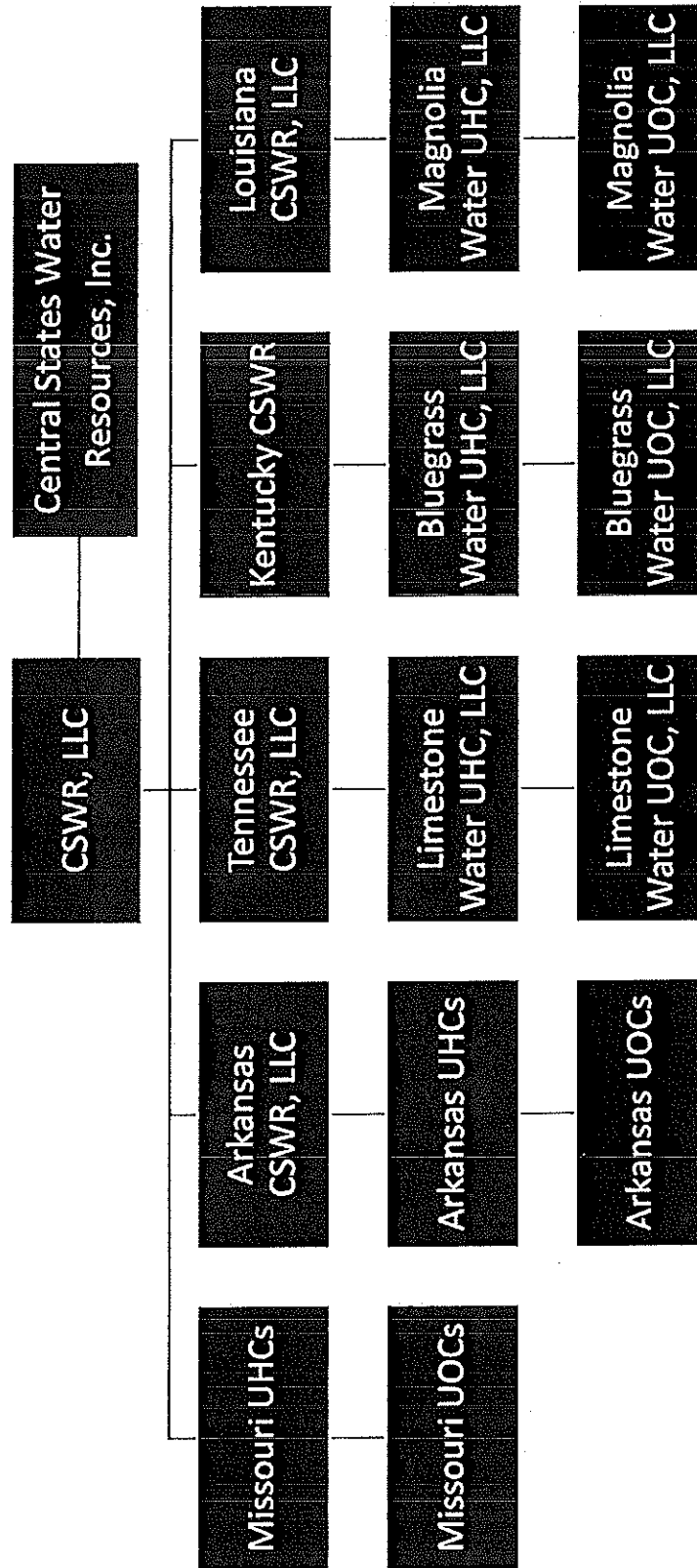


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

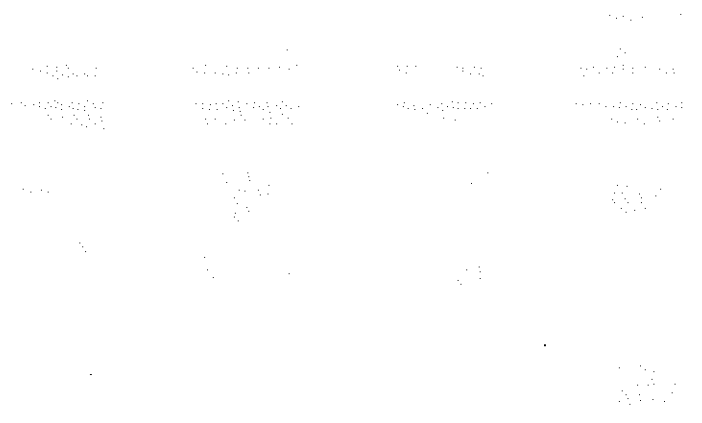


EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

2019 JUN 25 11:35 AM
LA PUBLIC SERVICE
COMMISSION

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Wildwood South Public Service Company, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Wildwood South Public Service Company, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaelyn Penzo
Mr. Patrick L. Roque

ROUTE TO Bull 150 up ROUTE FROM _____
DEPT. Bull DATE 6/28 DEPT. _____
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Part 3 of 3

2019
APR 25 11 30 AM
LOUISIANA PUBLIC SERVICE COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Wildwood South Public Service Company, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Wildwood South Public Service Company, Inc. ("Wildwood South") seeks an order reflecting the Commission's approval of, or non-opposition to, Wildwood South's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Wildwood South owns and uses to provide regulated water and wastewater utility service to customers in Caddo Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Wildwood South currently provides regulated water and wastewater services to approximately 142 water and approximately 181 wastewater customers in the Wildwood Forest subdivision in Caddo Parish. Wildwood South is a Louisiana corporation, in good standing, whose principal office is at P.O. Box 7, Keithville, Louisiana, 71407. All notices and other official documents related to the application should be sent to the attention of Jerry Taylor, the company's President, at that address or to the following email address: phenagan0001@gmail.com.

Magnolia proposes to buy and Wildwood South proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater services in Louisiana. Central States and Wildwood South entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance

with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Wildwood South's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Wildwood South and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Wildwood South.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Wildwood South have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana

Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

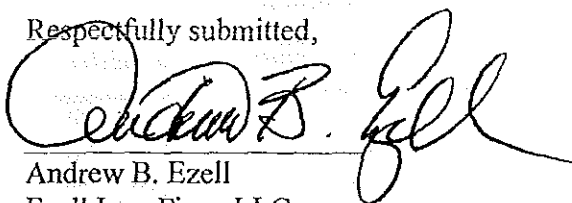
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Wildwood South is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Wildwood South.
9. The proposed transfer would be fair and reasonable to the majority of Wildwood South's shareholders, as evidenced by the fact that without the consent of its shareholders Wildwood South could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Wildwood South's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Wildwood South's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.
12. Neither Wildwood South nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in

the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The Wildwood South system is made up of one service area that provides water and wastewater service within the service area. The wastewater treatment facility consists of a single cell wastewater lagoon. The collection system consists of all gravity sewer to the wastewater lagoon. The system is in need of upgrades to meet the current permit for ammonia and E. coli. The improvements necessary will be the installation of an MBBR and an ultraviolet disinfection unit. The water facility consists of only distribution and does not include production. The city that sells water to the system does chlorinate the water. The system is in need of upgrades to extend the life of the facility and provide safer controlled service. The main upgrades at this facility consist of installation of remote monitoring, miscellaneous maintenance items on the existing components, and installation of a chlorinate analyzer and remote monitoring system. The total estimated cost of these upgrades is approximately \$352,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.

17. CSWR would invest equity capital to purchase Wildwood South's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

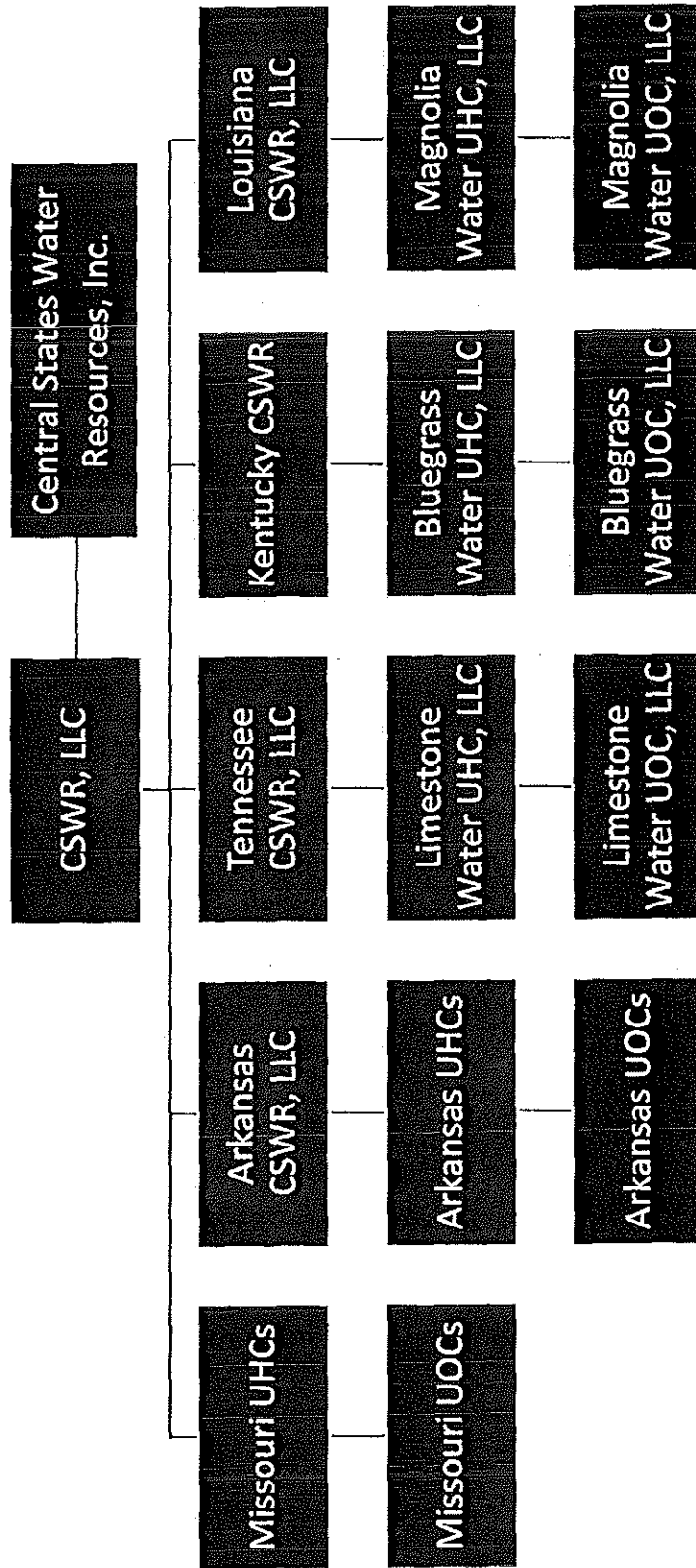


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

Mr. Brandon Fryc
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

2019 JUN 25 11:03 AM
LA PUBLIC SERVICE
COMMISSION

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
DR Waterworks, LLC

Dear Mr. Fryc:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by DR Waterworks, LLC. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

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2019 JUN 20 11:33 AM
LA PUBLIC SERVICE COMMISSION

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER UTILITY
REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: DR Waterworks, LLC

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, DR Waterworks, LLC ("DR Waterworks") seeks an order reflecting the Commission's approval of, or non-opposition to, DR Waterworks' proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property DR Waterworks owns and uses to provide regulated water utility service to customers in Orleans Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

DR Waterworks currently provides regulated water service to approximately 168 customers on or at 14th Street, Casa Calvo, Corner of 5th and Pil, Howze Beach Blvd. and Northshore Lane in St. Tammany Parish. DR Waterworks is a Louisiana limited liability company, in good standing, whose principal office is at 1208 Cleary Avenue, Metairie, Louisiana, 70001. All notices and other official documents related to the application should be sent to the attention of Greg Duhe at that address or to the following email address: service@drwaterworks.com.

Magnolia proposes to buy and DR Waterworks proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water service in Louisiana. Central States and DR Waterworks entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule

12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire DR Waterworks' assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water service to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, DR Waterworks and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for DR Waterworks.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like DR Waterworks have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana

Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

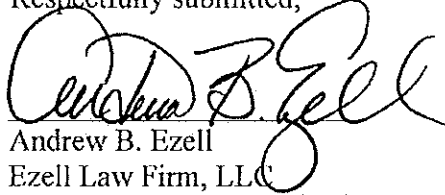
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because DR Waterworks is the only water utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and in assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of DR Waterworks.
9. Because it is a limited liability company, DR Waterworks has no shareholders. However, the company's members have been treated fairly and reasonably as evidenced by their consent to the proposed sale of assets to Magnolia. Without the consent of its members, DR Waterworks could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where DR Waterworks' customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water service at fair and reasonable rates. Authorizing Magnolia to acquire DR Waterworks' assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water system.
12. Neither DR Waterworks nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in

the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The current system consists of a well pump, pressure storage tank, and chlorine injection equipment. Magnolia would install a new, real-time chlorine residual monitoring system, remote monitoring, and total usage sensing equipment. Additional upgrades to the water distribution system would include installation of new piping, valves, and automatic flushing hydrants to maintain regulatory compliance. A new building also would be constructed, with security fencing, to house each water system. The total estimated cost of these upgrades is approximately \$286,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase DR Waterworks' assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

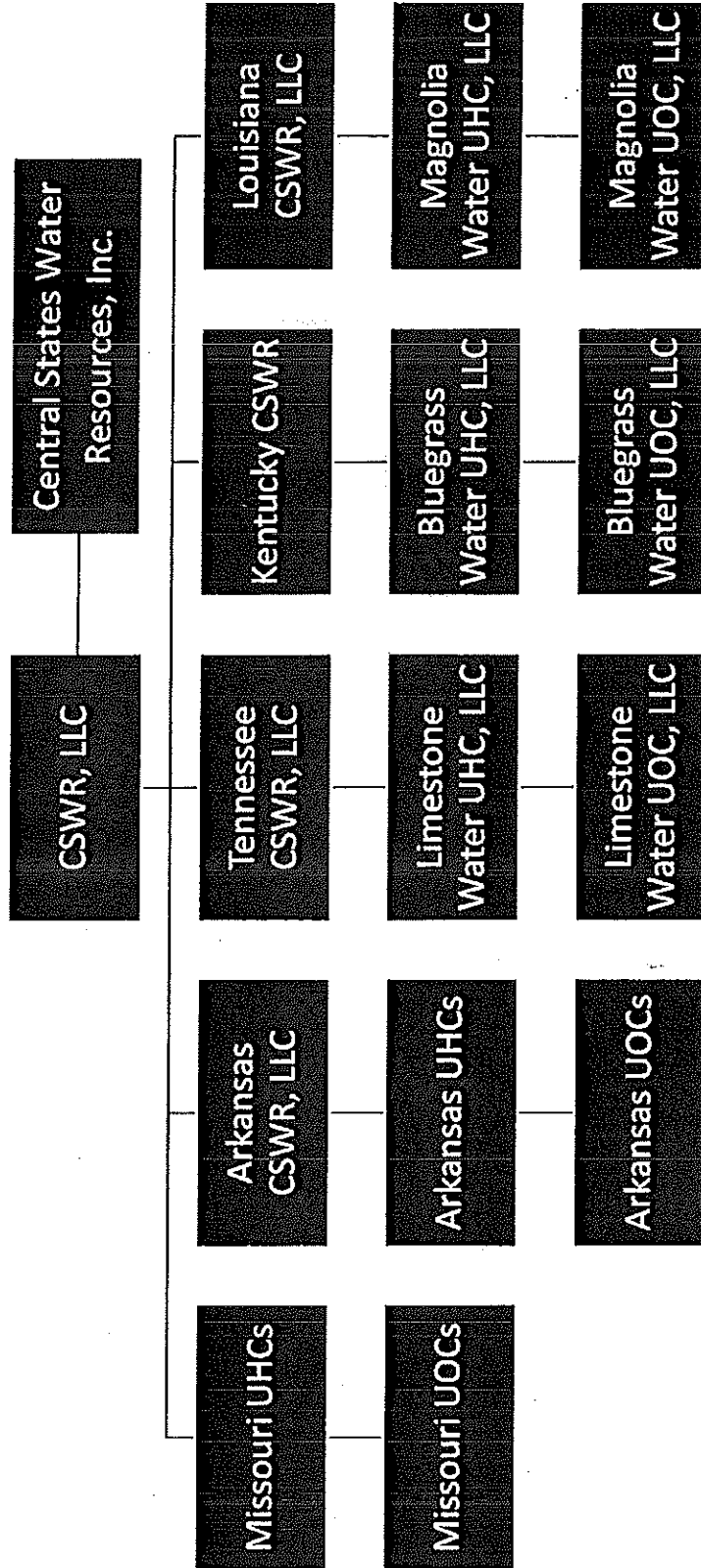


EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



2019 JUN 25 PM 3:00

LA PUBLIC SERVICE
COMMISSION

June 25, 2019

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Curtis Environmental Services, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Curtis Environmental Services, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

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**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF WATER AND WASTEWATER
UTILITIES REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Curtis Environmental Services, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Curtis Environmental Services, Inc. ("Curtis Environmental"), seeks an order reflecting the Commission's approval of, or non-opposition to, Curtis Environmental's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Curtis Environmental owns and uses to provide regulated water and wastewater utility service to customers in Tangipahoa and St. Tammany Parishes, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as Exhibit A and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Curtis Environmental currently provides regulated wastewater services to approximately 270 wastewater customers in or at Timber Ridge and Trace, Tchefuncte Harbor Townhouses, Port Louis-Madison Area, Commercial Rate Schedule, Hidden Pines and Lewisburg Estates subdivisions and water services to approximately 50 customers in Port Lewis Village in St. Tammany Parish. Curtis Environmental is a Louisiana corporation, in good standing, whose principal office is at 185 Belle Terre Boulevard, Suite D, La Place, Louisiana, 70068. All notices and other official documents related to the application should be sent to the attention of Rodney "Mike" Curtis, the company's President, at that address or to the following email address: mike.curtis@curtislab.com.

Magnolia proposes to buy and Curtis Environmental proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and

appurtenances, supplies, and other assets currently used to provide regulated water and wastewater services in Louisiana. Central States and Curtis Environmental entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Curtis Environmental's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Curtis Environmental and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Curtis Environmental.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small water and wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water and wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Curtis Environmental have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflected some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do

so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small water and wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water and wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia has the technical, managerial, and financial expertise and experience necessary to own and operate the water and wastewater utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable water and wastewater services at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a

fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

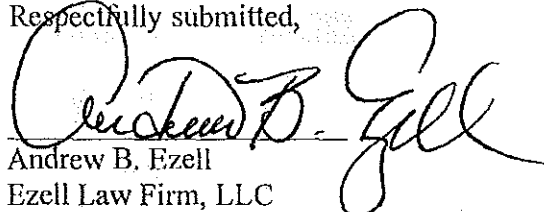
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Curtis Environmental is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Curtis Environmental.
9. The proposed transfer would be fair and reasonable to the majority of Curtis Environmental's shareholders, as evidenced by the fact that without the consent of its shareholders Curtis Environmental could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Curtis Environmental's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Curtis Environmental's assets would produce that desired result.

11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.
12. Neither Curtis Environmental nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The water and wastewater systems are mechanical plants in design and cover six service areas. Magnolia would make necessary repairs to these facilities and add flow metering and remote monitoring equipment to all water and wastewater facilities. In addition, we plan to investigate the water and wastewater collection systems for inflow/infiltration and install additional tankage on the front end of the facilities for flow equalization and sludge holding. The system requires an evaluation of meter pits for condition/existence of meters and shutoff valves. The total estimated cost of these upgrades is approximately \$165,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject water and wastewater systems day-to-day and would

ensure the contractor's personnel have or obtain all required health, safety, and other permits.

17. CSWR would invest equity capital to purchase Curtis Environmental's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
Ezell Law Firm, LLC
10761 Perkins Road, Suite A
Baton Rouge, LA 70810
Telephone: (225) 763-2272
Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart

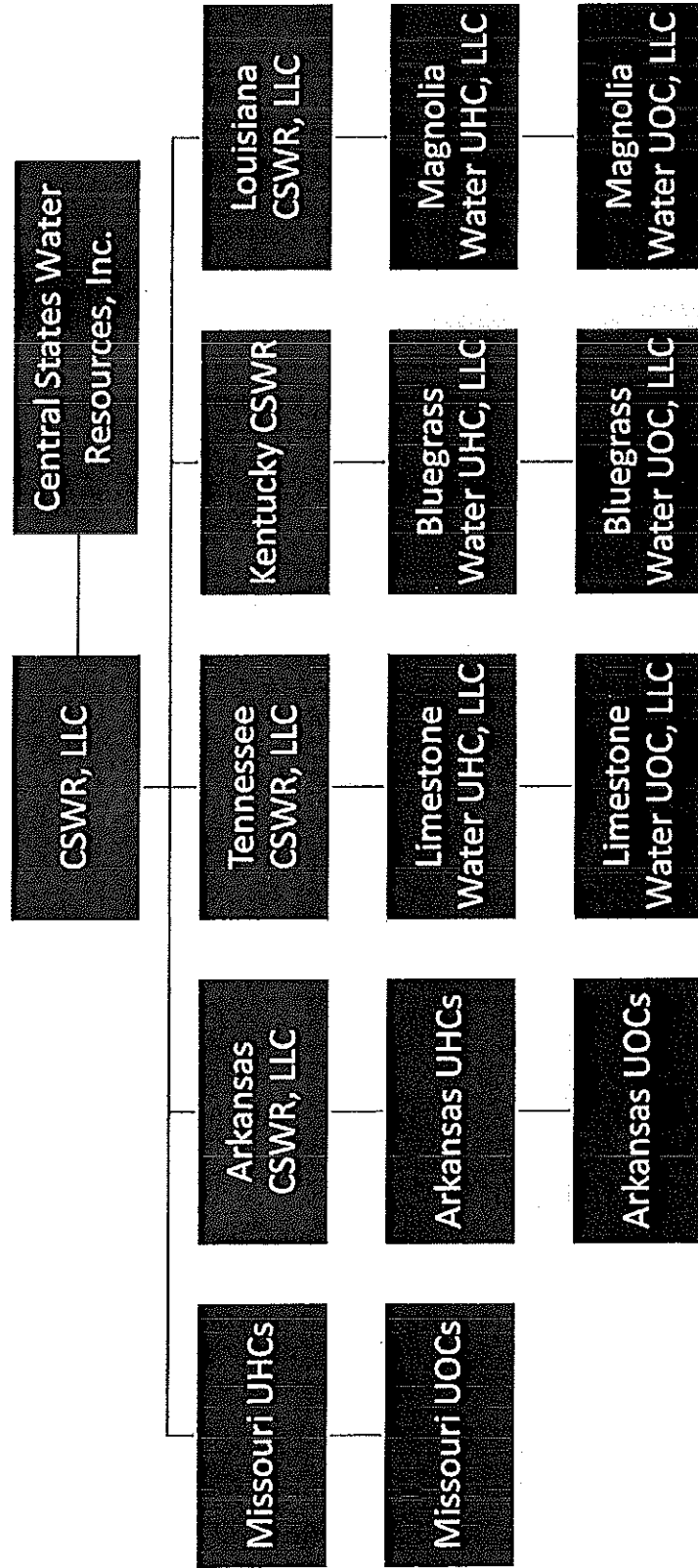


EXHIBIT B - PUBLIC

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EXHIBIT C - PUBLIC

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June 25, 2019

2019 JUN 28 11 0:52
LOUISIANA PUBLIC SERVICE
COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
Mo-Dad Utilities, LLC

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by Mo-Dad Utilities, LLC. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO		ROUTE FROM
DEPT. <u>Bull</u>	DATE <u>6/26</u>	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____
DEPT. _____	DATE _____	DEPT. _____

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: Mo-Dad Utilities, LLC

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, Mo-Dad Utilities, LLC. ("Mo-Dad") seeks an order reflecting the Commission's approval of, or non-opposition to, Mo-Dad's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property Mo-Dad owns and uses to provide regulated water and wastewater utility service to customers in the following Louisiana Parishes: Ascension, Livingston, Tangipahoa, East Baton Rouge, and West Baton Rouge Parishes.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

Mo-Dad currently provides regulated water and wastewater services to approximately 117 wastewater systems and one water system (see **Schedule A**) serving approximately 8,600 wastewater and approximately 55 water customers in Ascension, Livingston, Tangipahoa, East Baton Rouge, West Baton Rouge and St. Helena Parishes. Mo-Dad is a Louisiana limited liability company, in good standing, whose principal office is at 900 Cook Road, Denham Springs, Louisiana, 70726. All notices and other official documents related to the application should be sent to the attention of William Stegall, Jr., the company's Chief Operating Officer, at that address or to the following email address: william@mduonline.com.

Magnolia proposes to buy and Mo-Dad proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater services in Louisiana.

Central States and Mo-Dad entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as Exhibit B and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

Under terms of the Sale Agreement, Central States would acquire Mo-Dad's assets. However, in accordance with its rights under that agreement, at closing Central States intends to assign to Magnolia all Central States' rights, title, and interest to those assets. As a result of that assignment, at closing Magnolia would fully own, and be entitled to operate, all assets necessary to meet its obligations to provide safe, adequate, reliable, and compliant water and wastewater services to customers.

The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate water and wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, Mo-Dad and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for Mo-Dad.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like Mo-Dad have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

All the systems CSWR and its affiliates have acquired thus far reflect some degree of operational neglect, with several recording numerous, and oftentimes ongoing, violations of applicable health and environmental regulations. Following their acquisition, Central States has assisted its Missouri and Arkansas affiliates in bringing the systems up to standard (or are continuing the process to do so). Central States also is assisting its affiliates in ensuring their systems are operated in full compliance with environmental, operational, and utility commission regulations. With respect to future operations in Louisiana, representatives of CSWR already have conducted preliminary

discussions with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to coordinate Magnolia's efforts to bring troubled systems into compliance post-acquisition.

Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water and wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.

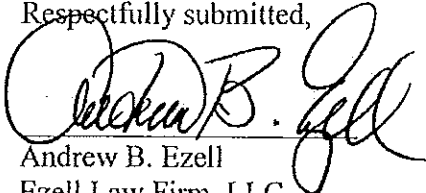
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.
6. The transaction would not adversely affect competition because Mo-Dad is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of Mo-Dad.
9. The proposed transfer would be fair and reasonable to the majority of Mo-Dad's shareholders, as evidenced by the fact that without the consent of its shareholders Mo-Dad could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where Mo-Dad's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire Mo-Dad's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.
12. Neither Mo-Dad nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and

operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: The 105 wastewater systems include three lagoons and the remaining 102 are mechanical plants. There is also one water system. Magnolia would make necessary repairs to these facilities and add flow metering and remote monitoring equipment to all wastewater and water facilities and remote monitoring to other system components as needed. The lagoon systems would require vegetation removal from existing berms as well as berm repair and stabilization. The lagoon systems also require fencing repair/replacement for safety and security. In addition, we plan to investigate the wastewater collection systems for inflow/infiltration problems. The total estimated cost of these upgrades is approximately \$18,233,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase Mo-Dad's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.

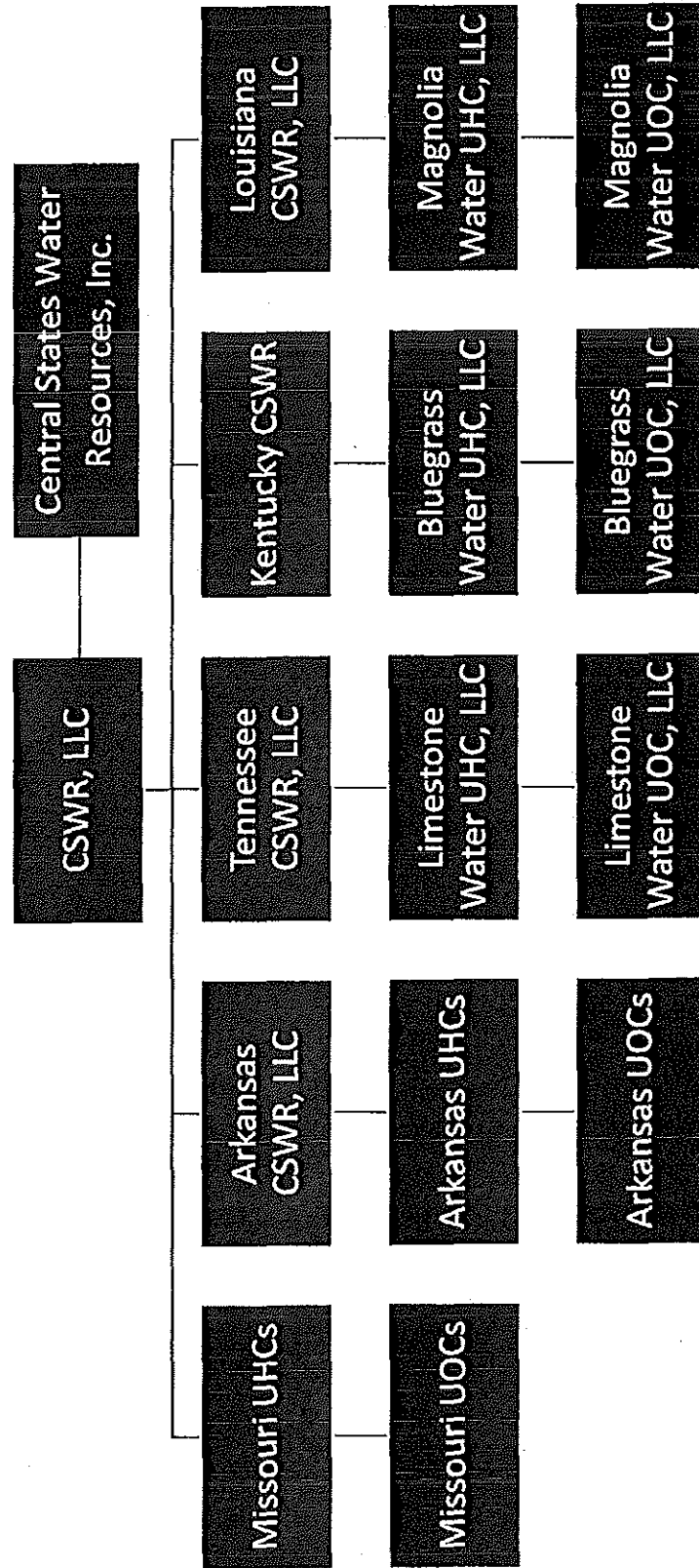
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



Andrew B. Ezell
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Baton Rouge, LA 70810
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Facsimile: (225) 763-2273
aezell@ezellfirm.com

Central States Water Resources Corporate Organizational Chart



SCHEDULE A

MO-DAD UTILITIES, L.L.C.
WASTEWATER SYSTEMS

Mo-Dad Utilities	Amber Lakes	East Baton Rouge
Mo-Dad Utilities	Arbor Walk	Livingston Parish
Mo-Dad Utilities	Arrington Place	Tangipahoa Parish
Mo-Dad Utilities	Audubon Square	East Baton Rouge Parish
Mo-Dad Utilities	Autumn Brook	Tangipahoa Parish
Mo-Dad Utilities	Autumn Run	Livingston Parish
Mo-Dad Utilities	Autumn Trace	Tangipahoa Parish
Mo-Dad Utilities	Azalea Woods	Tangipahoa Parish
Mo-Dad Utilities	Bayou View Estates	Ascension Parish
Mo-Dad Utilities	Belle Foret	Tangipahoa Parish
Mo-Dad Utilities	Black Subdivision	Tangipahoa Parish
Mo-Dad Utilities	Brady Place	Tangipahoa Parish
Mo-Dad Utilities	Bridalwood/Stone Ridge	Livingston Parish
Mo-Dad Utilities	Brighton Cove	Tangipahoa Parish
Mo-Dad Utilities	Brightwood	Livingston Parish
Mo-Dad Utilities	Burlington Lakes	East Baton Rouge
Mo-Dad Utilities	Canary Island	Livingston Parish
Mo-Dad Utilities	Carlton Oaks	Livingston Parish
Mo-Dad Utilities	Carriage House Apartments	Tangipahoa Parish
Mo-Dad Utilities	Carter Hills	Livingston Parish
Mo-Dad Utilities	Utility Plant-Chinquapin 2	Livingston Parish
Mo-Dad Utilities	Utility Plant-Chinquapin Camps	Livingston Parish
Mo-Dad Utilities	Clear Lake	Livingston Parish
Mo-Dad Utilities	Coles Creek East	Tangipahoa Parish
Mo-Dad Utilities	Coles Creek Extension	Tangipahoa Parish
Mo-Dad Utilities	Collins Place	Livingston Parish
Mo-Dad Utilities	Country Rivers	Tangipahoa Parish
Mo-Dad Utilities	Cross Creek	Livingston Parish
Mo-Dad Utilities	Cypress Hollow	Tangipahoa Parish
Mo-Dad Utilities	Cypress Lakes	Ascension Parish
Mo-Dad Utilities	Davey Estates	Tangipahoa Parish
Mo-Dad Utilities	Deer Crossing	Livingston Parish
Mo-Dad Utilities	Driftwood Estates	Livingston Parish

SCHEDULE A

MO-DAD UTILITIES, L.L.C.
WASTEWATER SYSTEMS

Mo-Dad Utilities	Dunson Park	Tangipahoa Parish
Mo-Dad Utilities	Elmwood Park 2	Tangipahoa Parish
Mo-Dad Utilities	Emerald Estates	Tangipahoa Parish
Mo-Dad Utilities	Emerald Gardens	Tangipahoa Parish
Mo-Dad Utilities	Equestrian Estates	Livingston Parish
Mo-Dad Utilities	Forest Ridge	Livingston Parish
Mo-Dad Utilities	Galvez Cove	Ascension Parish
Mo-Dad Utilities	Galvez Oaks	Ascension Parish
Mo-Dad Utilities	Gates at Burlington	East Baton Rouge
Mo-Dad Utilities	Greenleaf	Tangipahoa Parish
Mo-Dad Utilities	Hillside Village	Ascension Parish
Mo-Dad Utilities	Gunboat Island Estates	Ascension Parish
Mo-Dad Utilities	Isle of Orleans	Tangipahoa Parish
Mo-Dad Utilities	Justin Heights	Livingston Parish
Mo-Dad Utilities	Lake at Manchac	Ascension Parish
Mo-Dad Utilities	Lake Park	Ascension Parish
Mo-Dad Utilities	Lakeland Park	East Baton Rouge
Mo-Dad Utilities	Lakeside Cove	Livingston Parish
Mo-Dad Utilities	Lakes at Fennwood	Livingston Parish
Mo-Dad Utilities	Lakin Ridge	Tangipahoa Parish
Mo-Dad Utilities	Live Oak Landing	Livingston Parish
Mo-Dad Utilities	Livingston Trace	Livingston Parish
Mo-Dad Utilities	Logan Creek/Berry Ridge	Tangipahoa Parish
Mo-Dad Utilities	Loranger Trace	Tangipahoa Parish
Mo-Dad Utilities	Madeline Court	Tangipahoa Parish
Mo-Dad Utilities	Manchac Highlands	Ascension Parish
Mo-Dad Utilities	Maplewood	Tangipahoa Parish
Mo-Dad Utilities	Martinville Estates	Tangipahoa Parish
Mo-Dad Utilities	Meadow Lake	Livingston Parish
Mo-Dad Utilities	Montrose 2	Livingston Parish
Mo-Dad Utilities	Oak Meadow	Ascension Parish
Mo-Dad Utilities	Oak Cluster	East Baton Rouge
Mo-Dad Utilities	Olde Mill	Tangipahoa Parish

SCHEDULE A

**MO-DAD UTILITIES, L.L.C.
WASTEWATER SYSTEMS**

Mo-Dad Utilities	Paradise Point	Livingston Parish
Mo-Dad Utilities	Parisienne Villas	Ascension Parish
Mo-Dad Utilities	Parkview	Ascension Parish
Mo-Dad Utilities	Prairie Oaks	Ascension Parish
Mo-Dad Utilities	Parkview Oaks	Ascension Parish
Mo-Dad Utilities	Park Ridge	Livingston Parish
Mo-Dad Utilities	Pelican Gardens	Tangipahoa Parish
Mo-Dad Utilities	Reserve at Willow Lake	Ascension Parish
Mo-Dad Utilities	Riverside Ridge	Livingston Parish
Mo-Dad Utilities	Riverwoods	Tangipahoa Parish
Mo-Dad Utilities	Robertson Apartments	Tangipahoa Parish
Mo-Dad Utilities	Rolling Meadow	Livingston Parish
Mo-Dad Utilities	Seigle Landing	Livingston Parish
Mo-Dad Utilities	Shadow Pines	Livingston Parish
Mo-Dad Utilities	South Haven	Livingston Parish
Mo-Dad Utilities	Southern Pines	Tangipahoa Parish
Mo-Dad Utilities	Southwood Townhomes/Village	Ascension Parish
Mo-Dad Utilities	Spring Lake	Livingston Parish
Mo-Dad Utilities	Spring Lake 4	Livingston Parish
Mo-Dad Utilities	Stone Hill	Livingston Parish
Mo-Dad Utilities	Stone Ridge	Ascension Parish
Mo-Dad Utilities	Terry Harbor/Kingspoint	Livingston Parish
Mo-Dad Utilities	The Landings	Tangipahoa Parish
Mo-Dad Utilities	The Rivers	Tangipahoa Parish
Mo-Dad Utilities	The Village	Tangipahoa Parish
Mo-Dad Utilities	Timber Ridge	Tangipahoa Parish
Mo-Dad Utilities	Tranquility Lakes	St. Helena
Mo-Dad Utilities	Villas at Bedico Creek	Tangipahoa Parish
Mo-Dad Utilities	West Lake Estates	West Baton Rouge
Mo-Dad Utilities	West Ridge	Ascension Parish
Mo-Dad Utilities	Westminister Estates	Livingston Parish
Mo-Dad Utilities	Weston Court	Ascension Parish
Mo-Dad Utilities	Whisper Hollow	Livingston Parish

SCHEDULE A

**MO-DAD UTILITIES, L.L.C.
WASTEWATER SYSTEMS**

Mo-Dad Utilities	Whispering Oaks	Ascension Parish
Mo-Dad Utilities	Whispering Winds	Tangipahoa Parish
Mo-Dad Utilities	Willow Lake	Ascension Parish
Mo-Dad Utilities	Wolfe Lakes	Tangipahoa Parish
Mo-Dad Utilities	Woodland Crossing 1	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 2	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 3	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 4	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 5	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 6	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 7	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 8	Livingston Parish
Mo-Dad Utilities	Woodland Crossing 9	Livingston Parish
Mo-Dad Utilities	Woodland Ridge	Livingston Parish
Mo-Dad Utilities	Woodrun	Ascension Parish
Mo-Dad Utilities	Oak Wood Estates	Ascension Parish
Mo-Dad Utilities	Bourdon Orleans	Tangipahoa Parish
Mo-Dad Utilities	Woodstock	East Baton Rouge

WATER SYSTEM

Mo-Dad Utilities	Riverscape	Livingston Parish
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EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.



June 25, 2019

2019 JUN 25 11 07 AM
LA PUBLIC SERVICE COMMISSION

Mr. Brandon Frye
Executive Secretary
Louisiana Public Service Commission
602 North Street
Galvez Building, 12th Floor
Baton Rouge, LA 70802

Re: Magnolia Water Utility Holding Company, LLC
Application for Non-Opposition
H2O Systems, Inc.

Dear Mr. Frye:

Please find enclosed an original and three copies of Magnolia Water Utility Holding Company, LLC's Application for Non-Opposition to the acquisition of the water and/or wastewater system(s) currently operated by H2O Systems, Inc. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on June 28, 2019. Further, we ask that you exercise the discretion provided in Rule 19 and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, please date stamp and return a copy of the filing by hand to our courier.

If you have any questions concerning this filing, please notify me.

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

CC: Ms. Melissa Watson
Ms. Jaclyn Penzo
Mr. Patrick L. Roque

ROUTE TO Bull-15204 ROUTE FROM _____
DEPT. 6/26 DATE 6/26 DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
DEPT. _____ DATE _____ DEPT. _____
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Part 3 of 3

**PETITION FOR APPROVAL OF A SALE OR TRANSFER OF
ALL OR SUBSTANTIALLY ALL THE ASSETS OF A WATER AND WASTEWATER
UTILITY REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION**

Seller: H2O Water Systems, Inc.

Buyer: Magnolia Water Utility Operating Company, LLC

In accordance with the March 18, 1994, *General Order* regarding approval of sales and other changes in ownership or control of public utilities subject to the Louisiana Public Service Commission's ("Commission") jurisdiction, H2O Water Systems, Inc. ("H2O") seeks an order reflecting the Commission's approval of, or non-opposition to, H2O's proposal to sell or transfer to Magnolia Water Utility Operating Company, LLC ("Magnolia"), all or substantially all assets and property H2O owns and uses to provide regulated water and wastewater utility service to customers in St. Tammany Parish, Louisiana.

Magnolia is a Louisiana limited liability company, in good standing, formed to acquire the assets of water and wastewater utilities in Louisiana and to own and operate those assets as public utilities subject to the Commission's regulatory jurisdiction. Magnolia is part of an affiliate group that includes Central States Water Resources, Inc. ("Central States"), a Missouri corporation in good standing, CSWR, LLC ("CSWR"), a Missouri limited liability company in good standing, and several other companies, some of which currently operate small water or wastewater utilities in Missouri and Arkansas. A chart showing the companies in the affiliate group is attached to the petition as **Exhibit A** and is incorporated by reference. The significance of those affiliate relationships to the transaction that is the subject of the petition are discussed in greater detail below. The principal address of Magnolia, Central States, and CSWR is 500 Northwest Plaza Drive, Suite 500, St. Ann, Missouri, 63704. All notices and other official documents related to the application should be sent to the attention of Josiah Cox, President, Mike Duncan, Director of Business Operations, and Russ Mitten, General Counsel, at the address shown in the preceding sentence or at the following email addresses: jcox@cswrgroup.com; mduncan@cswrgroup.com; rmitten@cswrgroup.com. Copies also should be sent to Andrew B. Ezell, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana, 70810, or at the following email address: aezell@ezellfirm.com.

H2O currently provides regulated water and wastewater services to approximately 4,921 water and approximately 4,586 wastewater customers in forty-two subdivisions (see attached **Schedule A**) in St. Tammany Parish. H2O is a Louisiana corporation, in good standing, whose principal office is at 845 Galvez Street, Mandeville, Louisiana, 70488. All notices and other official documents related to the application should be sent to the attention of Kelly J. McHugh, the company's President, at that address or to the following email address: kim@kellymchugh.com.

Magnolia proposes to buy and H2O proposes to sell all or substantially all its franchises, works, operations, systems, land and related improvements, easements, rights-of-way, permits, leases, service facilities, equipment, machinery, lines, plant, pipes, manholes and appurtenances, supplies, and other assets currently used to provide regulated water and wastewater service in Louisiana. Central States and H2O entered into a formal purchase and sale agreement specifying terms of their transaction ("Sale Agreement"). A fully executed copy of the agreement is attached to the petition as **Exhibit B** and incorporated by reference. In accordance with Rule 12.1 of the

Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

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The proposed transaction, which is contingent on the Commission's grant to Magnolia of authority to acquire and operate wastewater systems in Louisiana, is scheduled to close (a) within forty-five (45) days of the effective date of a Commission order granting relief sought in the petition or (b) at such other time as the parties mutually agree. During the period between the date of the Commission's order and the scheduled closing date, H2O and Magnolia would work together to satisfy all remaining closing conditions specified in the Sale Agreement and take other steps necessary to ensure the proposed sale does not adversely affect customers. This includes adopting and providing service in accordance with tariffs currently in effect for H2O.

The need to comply with increasingly stringent federal and state health and environmental regulations has imposed cost and compliance burdens small wastewater utilities are finding difficult, if not impossible, to bear. Difficulty in securing capital necessary to make investments or expenditures for improvements required to bring their systems into full regulatory compliance has forced many such utilities to seek buyers for those systems whose technical, managerial, and financial resources make them better able to bear those burdens. This motivation is especially strong for system owners whose primary business is not the operation of regulated water or wastewater utilities.

The affiliated group of which Magnolia and CSWR are members is the type of buyer small system operators like H2O have sought out. The group's business plan is to pursue the purchase and recapitalization of small water and wastewater systems, many of which are financially distressed. CSWR and its affiliates already have acquired numerous systems in Missouri and Arkansas. Three pending applications in Missouri seek authority to conclude additional acquisitions in that state, and other acquisition proposals are pending before utility regulators in Tennessee and Kentucky.

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Through its relationship with Central States (which acts as a service company for the group) and other companies within the affiliate group, Magnolia would have access to highly skilled technical, managerial, and financial experts and resources not usually available to small wastewater companies. Central States' personnel, who would be actively engaged in managing Magnolia's operations, have extensive experience in the technical, managerial, and financial aspects of the utility industry and they have developed innovative operational, marketing, and customer service programs that provide their affiliates' current customers high quality advanced services at fair and reasonable rates.

As previously noted, consummation of the asset sale contemplated by the Sale Agreement is contingent on receipt of a Commission order approving the transaction and granting Magnolia authority to operate water and wastewater systems in Louisiana, as required by state law. To secure approval of the transaction, Magnolia provides the following information required by the March 18, 1994, *General Order*.

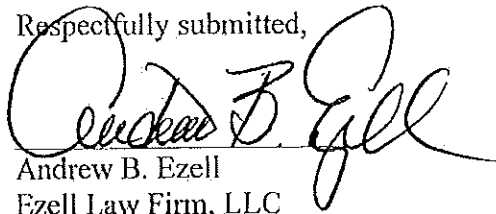
1. The proposed transfer of assets to Magnolia is in the public interest. As explained in greater detail elsewhere in the petition, Magnolia and its affiliates have the technical, managerial, and financial expertise and experience necessary to own and operate the utility assets it proposes to acquire and ready access to sufficient financial resources to make necessary capital investments and expenditures required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing current and future customers safe and reliable service at fair and reasonable rates.
2. Magnolia is ready, willing, and able to provide safe, reliable, and adequate service to customers of the system it proposes to acquire and to do so at rates that are fair and reasonable.
3. Because of its ability to readily access capital necessary to bring the subject system into compliance with health and environmental regulations and operate the system in a manner consistent with those regulations, Magnolia's acquisition of the assets at issue in the petition would likely improve, the financial condition of the utility.
4. The system Magnolia proposes to acquire has, in the past, failed to satisfy one or more health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified capital investments and expenditures necessary to correct past problems and ensure that in the future the system would be operated in full compliance with all applicable regulations. These system improvements and Magnolia's commitment to operate the system in a manner that ensures customers receive safe, reliable, and adequate service at a fair price would combine to maintain or improve the overall quality of service customers of the system currently receive.
5. Authorizing Magnolia to acquire the subject assets would bring both short- and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates would enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. And, because of economies of scale

Central States can achieve by serving several affiliates, Magnolia likely can utilize those resources at less cost than would be the case if it was forced to acquire those same resources as a stand-alone company. As explained in greater detail later in the petition, Magnolia's affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides reliable and safe service that complies with all applicable health and environmental regulations.

6. The transaction would not adversely affect competition because H2O is the only water and wastewater utility authorized to serve customers within its service area.
7. As noted elsewhere in the petition, personnel from Central States have far greater technical, managerial, and financial expertise and experience than is available to most small water and wastewater utilities. These personnel would be actively involved in overseeing Magnolia's day-to-day operations and assisting the company as it plans system improvements and additions necessary for the future. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service Magnolia's management can provide will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the subject system day-to-day. It is Magnolia's intent that the third-party contractor would offer employment to most if not all qualified current employees of H2O.
9. The proposed transfer would be fair and reasonable to the majority of H2O's shareholders, as evidenced by the fact that without the consent of its shareholders H2O could not have entered into the Sale Agreement with Central States.
10. The proposed transaction would have an overall positive effect on state and local economies. From a local property tax standpoint, the transfer of assets should have no adverse effect on state or local taxing authorities. If the transaction is approved, only the identity of the taxpayer would change. And overall, the proposed transaction should prove beneficial to the state of Louisiana and the local communities where H2O's customers reside. All those entities have an interest in ensuring their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire H2O's assets would produce that desired result.
11. Magnolia concedes the Commission's authority to regulate its rates and operations in the manner prescribed by Louisiana law. Therefore, the proposed transfer would have no effect on the Commission's jurisdiction over the subject water and wastewater systems.
12. Neither H2O nor Magnolia anticipates any adverse consequences to customers or other interested stakeholders if the Commission approves the transaction proposed in the petition. Both parties are committed to ensuring the sale of assets is concluded and operational authority over those assets is transferred in a manner that is as transparent as possible and has no adverse effects to customers.

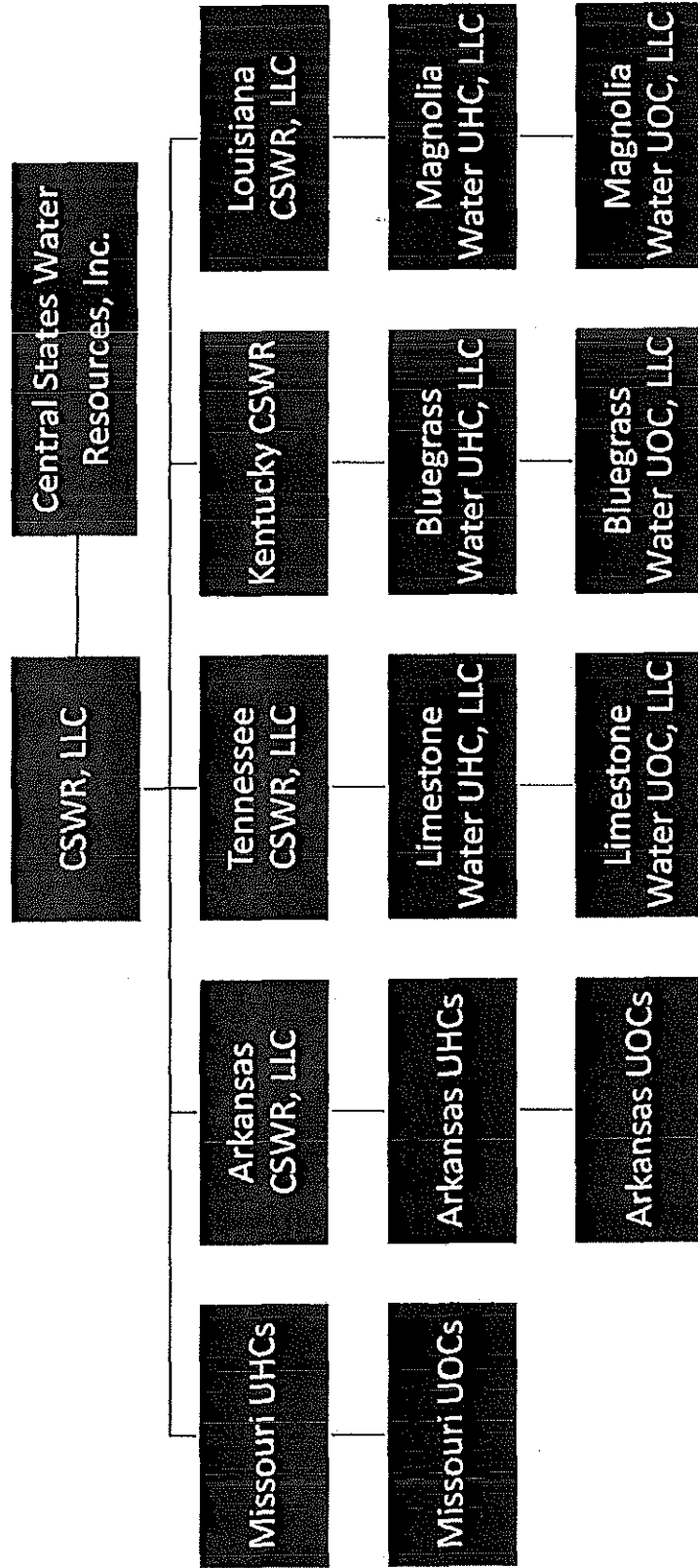
13. Because Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana, it has no track record of regulatory compliance or non-compliance in this state. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring severely distressed systems, bringing them into compliance, and then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri have a good customer service and operating reputation with utility regulators in that state. (Arkansas, the other state where Magnolia's affiliates currently operate, does not regulate rates or operations of small water and wastewater utilities.)
14. Through its affiliated group, Magnolia would have ready access to capital required to make necessary investments and expenditures in the subject system. CSWR would provide equity financing necessary to make the proposed asset acquisition. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system. Current plans envision a capital structure for Magnolia consisting of fifty percent (50%) equity and fifty percent (50%) debt. CSWR's consolidated income statement and balance sheet for 2018 is attached to the petition as Exhibit C and incorporated by reference. In accordance with Rule 12.1 of the Commission's rules of practice and procedure, that exhibit has been designated "confidential" because it contains competitively sensitive information.
15. Based on its due diligence efforts thus far, Magnolia has identified the following investments in system upgrades, improvements, and replacements it plans to make if the Commission approves the transaction proposed in the petition: There are 11 wastewater systems, all mechanical plants by design, and 12 water systems, each consisting of a well and storage or pressure tank. Magnolia would make necessary repairs to these facilities, add flow metering and remote monitoring equipment to all wastewater and water facilities, and remote monitoring to other system components as needed. Several of the steel package style mechanical wastewater plants require blasting and coating because the current coating system is failing. Blasting and coating would also be necessary on several storage/pressure tanks in the water systems. The total estimated cost of these upgrades is approximately \$8,085,000.
16. Magnolia's affiliates always hire a qualified and experienced third-party contractor to manage and operate the subject wastewater system day-to-day and would ensure the contractor's personnel have or obtain all required health, safety, and other permits.
17. CSWR would invest equity capital to purchase H2O's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs would be financed through debt from providers approved by the Commission on terms and conditions that accurately reflect the current state of this system.
18. The acquisition of assets proposed in the petition is fair and reasonable in all respects. Consequently, the Commission should not impose or attach any conditions to the transaction.

Respectfully submitted,



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Central States Water Resources Corporate Organizational Chart



SCHEDULE A

H2O SYSTEMS, INC. WATER/WASTEWATER SYSTEMS

H2O Systems, Inc.	Village Shopping Center	St. Tammany Parish
H2O Systems, Inc.	Alamosa Business Park	St. Tammany Parish
H2O Systems, Inc.	Audubon Lakes Subdivision	St. Tammany Parish
H2O Systems, Inc.	Autumn Haven Subdivision	St. Tammany Parish
H2O Systems, Inc.	Belle Maison Subdivision	St. Tammany Parish
H2O Systems, Inc.	Bleu Lake Hills Subdivision	St. Tammany Parish
H2O Systems, Inc.	Castine Oaks Subdivision	St. Tammany Parish
H2O Systems, Inc.	Cherry Creek Subdivision	St. Tammany Parish
H2O Systems, Inc.	Deerfield Subdivision	St. Tammany Parish
H2O Systems, Inc.	Estates of Reserve Subdivision	St. Tammany Parish
H2O Systems, Inc.	Fox Run Subdivision	St. Tammany Parish
H2O Systems, Inc.	Grand Palms Apartments	St. Tammany Parish
H2O Systems, Inc.	Greenleaves Subdivision	St. Tammany Parish
H2O Systems, Inc.	Highlands Subdivision	St. Tammany Parish
H2O Systems, Inc.	Hunters Glen Subdivision	St. Tammany Parish
H2O Systems, Inc.	I59 Business & Mobile Home Park	St. Tammany Parish
	Interstate 59 Commercial and Mobile	
	Home Park	St. Tammany Parish
H2O Systems, Inc.	Lake Audubon Estates Subdivision	St. Tammany Parish
H2O Systems, Inc.	Lakes of Greenleaves Subdivision	St. Tammany Parish
H2O Systems, Inc.	Laurelwood Subdivision	St. Tammany Parish
H2O Systems, Inc.	Lochmere Subdivision	St. Tammany Parish
H2O Systems, Inc.	Marigny Trace Subdivision	St. Tammany Parish
H2O Systems, Inc.	Meadowbrook Subdivision	St. Tammany Parish
H2O Systems, Inc.	Money Hill Subdivision	St. Tammany Parish
H2O Systems, Inc.	Monterey Subdivision	St. Tammany Parish
H2O Systems, Inc.	Oak Island Subdivision	St. Tammany Parish
H2O Systems, Inc.	Old Mandeville Woods Subdivision	St. Tammany Parish
H2O Systems, Inc.	Penn Mill Lakes Subdivision	St. Tammany Parish
H2O Systems, Inc.	Penn Mill Place	St. Tammany Parish
H2O Systems, Inc.	Pruden Creek Subdivision	St. Tammany Parish
H2O Systems, Inc.	Reserve Subdivision	St. Tammany Parish
H2O Systems, Inc.	River Park Crossing	St. Tammany Parish
H2O Systems, Inc.	River Park Estates	St. Tammany Parish
H2O Systems, Inc.	Seven Oaks Subdivision	St. Tammany Parish
H2O Systems, Inc.	Seven Pines Subdivision	St. Tammany Parish
H2O Systems, Inc.	Sunshine Plaza Shopping Center	St. Tammany Parish
H2O Systems, Inc.	Tete L'ours Ph3 Subdivision	St. Tammany Parish
H2O Systems, Inc.	Timbercreek Subdivision	St. Tammany Parish
H2O Systems, Inc.	Timbers Subdivision	St. Tammany Parish
H2O Systems, Inc.	Unincorporated Squares of Mandeville	St. Tammany Parish

SCHEDULE A

**H2O SYSTEMS, INC.
WATER/WASTEWATER SYSTEMS**

H2O Systems, Inc.
H2O Systems, Inc.

Whippoorwill Ph7 Subdivision
Winghaven Subdivision

St. Tammany Parish
St. Tammany Parish

EXHIBIT B - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

EXHIBIT C - PUBLIC

In accordance with Rule 12.1 of the Louisiana Public Service Commission's Rules of Practice and Procedure, this exhibit has been designated "confidential" and submitted under seal as it contains competitively sensitive information.

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF MISSOURI
CENTRAL DIVISION

IN THE MATTER OF:)
)
OSAGE WATER COMPANY,) Case No. 17-42759-drd11
)
)
Debtor.)

NOTICE OF AUCTION RESULTS

Pursuant to Fed. R. Bankr. P. 6004(f), Jill Olsen, the duly appointed Chapter 11 trustee of Osage Water Company ("Trustee") hereby notifies the Court and all parties in interest of the following:

1. On August 26, 2018, Trustee filed her Motion to Approve (a) Sale of Substantially All of Debtor's Assets Free and Clear of All Liens, Interests, Claims and Encumbrances, and Related Procedures and Bid Protection Pursuant to 11 U.S.C. § 363, (b) the Potential Assumption and Assignment, or Rejection, of Certain Executory Contracts and Unexpired Leases; and (c) Related Relief Pursuant to 11 U.S.C. §§ 102 and 105 [Docket No. 115] (the "Sale Motion").

2. In the Sale Motion, among other things, Trustee seeks an order of the Bankruptcy Court (a) authorizing her to sell, pursuant to Bid Procedures attached as Exhibit A to the Sale Motion, outside the ordinary course of business and free and clear of all liens, claims, encumbrances, and interests, all of Debtor's right, title and interest in the Assets to the Stalking Horse Purchaser,¹ (b) authorizing the Trustee to assume and assign the Desired 365 Contracts, and (c) otherwise granting all necessary and appropriate related relief.

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Sale Motion and Bid Procedures.

WA 12010310.1

EXHIBIT C

Schedule KNR-11

1/3

3. On September 19, 2018, the Bankruptcy Court entered that certain Order Approving Procedures for the Solicitation of Offers for (a) the Sale of Substantially All of Debtor's Assets Free and Clear of Liens, Claims, Encumbrances, and Interests, (b) the Possible Assumption and Assignment, or Rejection, of Certain Executory Contracts and Unexpired Leases, and (c) Related Relief [Docket No. 125] (the "Bid Procedures Order"). The Bid Procedures Order approved certain Bid Procedures and other relief requested in the Sale Motion.

Auction Results

4. On October 24, 2018, the Auction contemplated in the Sale Motion and Bid Procedures Order was held. Three Qualified Bidders participated in the Auction. The Auction commenced at approximately 9:30 a.m. prevailing Central time, and concluded at approximately 12:40 p.m. prevailing Central time. A copy of the sign-in sheet for the people at the Auction is attached as Exhibit A.

5. The Trustee has identified the highest and best bid for the Assets to be a bid of \$800,000 by the Stalking Horse Purchaser. A copy of the revised asset purchase agreement with the Stalking Horse Purchaser is attached hereto as Exhibit B.²

6. The first Back-up Bidder is a joint bid by Public Water Supply District No. 5 of Camden County, Missouri, Missouri Water Association, Inc., and Lake Area Waste Water Association, Inc. with a bid for the Assets of \$800,000. A copy of the asset purchase agreement for this joint bid is attached hereto as Exhibit C.³

² The attached asset purchase agreement is unexecuted. The Trustee anticipates receiving signatures pages in the near term.

³ The attached asset purchase agreement is unexecuted. The Trustee anticipates receiving signatures pages in the near term.

7. The second Back-up Bidder is Missouri-American Water Company with a bid for the Assets of \$600,000. A copy of the asset purchase agreement for this joint bid is attached hereto as Exhibit D.

Desired 365 Contracts

8. At the time this Notice is filed, the only known Desired 365 Contracts are the contracts identified in Exhibit E.

Respectfully submitted,

SPENCER FANE LLP

By: /s/ Andrea M. Chase

Eric L. Johnson MO Bar No. 53131

Andrea M. Chase MO Bar No. 66019

Zach R.G. Fairlie MO Bar No. 68057

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COUNSEL FOR TRUSTEE

Missouri Public Service Commission

Respond Data Request

Data Request No.	0025
Company Name	MO PSC Staff-(All)
Case/Tracking No.	WA-2019-0185
Date Requested	7/15/2019
Issue	General Information & Miscellaneous - Other General Info & Misc.
Requested From	Whitney Payne
Requested By	Keri Roth
Brief Description	Staff's position
Description	On page 19 of Staff's Memorandum, filed May 24, 2019, Staff states, "For its reviews, Staff also considers whether or not other utility entities are available to provide similar service." However, Staff does not appear to address Public Water District #5 of Camden County, Missouri Water Association, Inc., or Lake Area Waste Water Association, Inc.'s bid to purchase the Osage Water Company systems. Is it Staff's position these entities are also available to provide similar service? Please provide a detailed explanation of your answer.
Response	The language on page 19 of Staff's Memorandum is in regards specifically to the applicable criteria for investigation into the application for acquisition of Reflections Condominiums, which is presently uncertificated by the Commission, and which neither Public Water District #5 of Camden County Missouri, Missouri Water Association, Inc., nor Lake Area Waste Water Association, Inc., has proposed to purchase. Staff's evaluation of the technical, managerial and financial criteria applied to the application for acquisition of Osage Water Company systems are discussed beginning at the bottom of page 18 of Staff's Memorandum and do not include the language, "For its reviews, Staff also considers whether or not other utility entities are available to provide similar service." Data Request Response provided by Natelle Dietrich (inatelle.dietrich@psc.mo.gov) and Jim Busch (jim.busch@psc.mo.gov).
Objections	NA

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission if, during the pendency of Case No. WA-2019-0185 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MO PSC Staff-(All) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to MO PSC Staff-(All) and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA