

# Exhibit No. 201

Exhibit No.:  
Issues: CCN  
Witnesses: Stephen M. Connelly  
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Sponsoring Party: Boone County Regional  
Sewer District  
Case No.: SA-2021-2017  
Date: February 23, 2021

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. SA-2021-0017**

**REBUTTAL TESTIMONY**

**OF**

**STEPHEN M. CONNELLY**

**ON BEHALF OF**

**BOONE COUNTY REGIONAL SEWER DISTRICT**

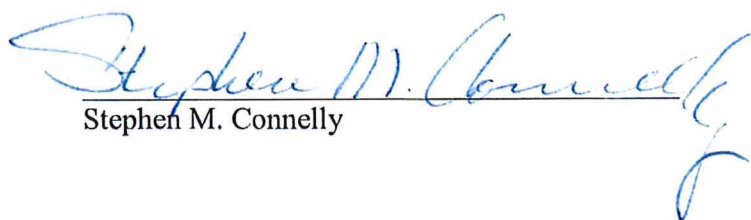
**REBUTTAL TESTIMONY  
STEPHEN M. CONNELLY  
BOONE COUNTY REGIONAL SEWER DISTRICT  
CASE NO. SA-2021-0017**

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**AFFIDAVIT**

I, Stephen M. Connelly, under penalty of perjury, and under Section 509.030, RSMo, state that I am an outside expert retained by Boone County Regional Sewer District, that if inquiries were made as to the facts in the accompanying testimony, I would respond as set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

  
Stephen M. Connelly

Dated: February 23, 2021

**REBUTTAL TESTIMONY**

**STEPHEN M. CONNELLY**

**I. INTRODUCTION**

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

2 A. Stephen M. Connelly. My business address is P.O. Box 25528, Kansas City, MO 64119.

3 **Q. Where are you employed and in what capacity?**

4 A. I am the founder, owner and President of Stephen M. Connelly, CPA, PC, an accounting  
5 firm.

6 **Q. What is your educational background and business experience.**

7 A. I hold a Master of Business Administration from Rockhurst University in Finance and a  
8 Bachelor of Science in Accounting from Truman State University. I am a Certified Public  
9 Accountant with over 25 years of experience working publicly and in the industry. A true  
10 and correct copy of my curriculum vitae is attached hereto as **Schedule SMC-1**.

11 **Q. What services do you offer at Stephen M. Connelly, CPA, PC?**

12 A. I offer a full range of accounting services to public and private entities and individuals,  
13 including business consulting, management advisory and financial analysis services.

14 **Q. Are you providing testimony on behalf of a party to this case?**

15 A. Yes. I am providing expert testimony on behalf of the Boone County Regional Sewer  
16 District.

17 **Q. Have you previously testified before the Commission?**

18 A. No.

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

2 A. The purpose of my testimony is to oppose Missouri American Water Company's  
3 ("MAWC") Application for a certificate of convenience and necessity ("Application") to  
4 install, own, acquire, construct, operate, control, manage and maintain a sewer system in  
5 and outside of the corporate boundaries of the City of Hallsville, Missouri.

6 **II. ECONOMIC FEASIBILITY**

7 **Q. Do you have education and professional experience regarding the preparation and**  
8 **evaluation of feasibility studies?**

9 A. Yes.

10 **Q. Could you please briefly summarize your experience with feasibility studies?**

11 A. In addition to my formal education and training, I have over twenty-five (25) years of  
12 experience preparing and evaluating feasibility studies for the business plans of private  
13 and public clients.

14 **Q. Could you please define what a feasibility study is and its purpose?**

15 A. A feasibility study is an analysis that seeks to account for all relevant factors for a  
16 proposed business plan. These factors typically include the legal, economic, technical and  
17 market considerations of completing a proposed business plan successfully. Feasibility  
18 studies answer questions such as whether a business plan is legal, technically feasible,  
19 economically feasible or technically or economically feasible within a reasonable period  
20 of time. A feasibility study generally utilizes various components in answering these  
21 critical questions which, at a minimum, includes an executive summary, market  
22 considerations, schedule and timeline, projected financial statements and some sort of

1 finding or conclusion. By definition, a feasibility study contains both qualitative and  
2 quantitative aspects.

3 **Q. Have you reviewed the direct testimony and associated schedules filed in this case**  
4 **related to MAWC's Application for a CCN approving its proposed purchase of the**  
5 **Hallsville sewer system?**

6 A. Yes, I have reviewed all the direct testimony and associated schedules filed in this case,  
7 including the Direct Testimony of Matt Horan and James Busch and MAWC's feasibility  
8 study, MO PSC Staff's Recommendation to Grant Certificate of Convenience and  
9 Necessity and the attached Official Case File Memorandum ("Memorandum"). *See*  
10 **Schedule MH-4C to MAWC – DT – Horan and Schedule JAB-d2, Page 8 of 25 to**  
11 **MO PSC – DT – Busch.**

12 **Q. Based on your review of MAWC's feasibility study and Mr. Horan's Direct**  
13 **Testimony, what information does MAWC represent is contained in its feasibility**  
14 **study?**

15 A. MAWC's feasibility study is represented to contain plans and specifications for the  
16 Hallsville sewer system and estimated cost of construction of the Hallsville sewer system  
17 during the first three (3) years of ownership; proposed rates and charges; and estimates of  
18 the number of customers and estimated expenses and revenues during the first three years  
19 of operation by MAWC. *See* **Schedule MH-4C to MAWC – DT – Horan.**

20 **Q. Based on your review, what are the contents of MAWC's feasibility study?**

21 A. MAWC's feasibility study consists of an Excel workbook with eleven (11) worksheets,  
22 eight (8) of which contain data. The eleven worksheets are entitled: 1. Confidential; 2.

1 Feasibility Study; 3. Feasibility Support; 4. Revenues; 5. Expenses; 6. MAWC Metrics;  
2 7. MAWC Expense Summary; 8. Asset Support; 9. Assets; 10. Asset Support; and 11. H-  
3 W W3. See Schedule MH-4C to MAWC – DT – Horan.

4 **Q. What type of information is contained in the eleven (11) worksheets comprising**  
5 **MAWC's feasibility study?**

6 A. The eight worksheets that contain information appear to be standardized "plug and play"  
7 worksheets with data points that MAWC presumably uses interchangeably for every  
8 feasibility study filed with the Commission for its water and sewer system acquisitions.  
9 Large sections of the worksheets are dedicated to water systems even though MAWC's  
10 Application only pertains to its proposed purchase of a sewer system. See Schedule MH-  
11 4C to MAWC – DT – Horan.

12 **Q. Do you have any concerns regarding MAWC's feasibility study?**

13 A. Yes. MAWC's feasibility study does not contain the traditional components used in  
14 feasibility studies and does not reach any qualitative analyses or conclusions. The study  
15 lacks a narrative or qualitative description describing its purpose, parameters described in  
16 formulating any outcomes, results or findings described or even addressed, an  
17 Introduction, and a description of assumptions used, scenarios contemplated or  
18 Conclusions reached. It does not address any relevant factors, including economic, legal  
19 or technical were addressed on a qualitative basis, or address any of these factors as a  
20 whole in any substantive way from a quantitative perspective. See Schedule MH-4C to  
21 MAWC – DT – Horan.

22 **Q. Do you have any other concerns regarding MAWC's feasibility study?**



1 A. Yes. It appears that MAWC used older data to calculate certain metrics, whereas more  
2 recent data is available in its most recent annual report that was provided to the  
3 Commission. The data in MAWC's feasibility study should be updated. Also, MAWC  
4 uses "Cost Trends of Water Utility Construction" in its study, whereas Hallsville is a  
5 sewer system. See Schedule MH-4C to MAWC – DT - Horan.

6 **Q. Do you have an expert opinion as to whether MAWC's feasibility study supports a**  
7 **finding that its proposal to purchase the Hallsville sewer system is economically**  
8 **feasible?**

9 A. Yes. MAWC's feasibility study does not support a finding that its proposal to purchase  
10 the Hallsville sewer system is economically feasible because it is unreliable for the  
11 reasons I already indicated and it indicates a significant loss that continues to increase  
12 from year 1 through year three. See Schedule JAB-d2, Page 15 to MO PSC – DT -  
13 Busch. This continuing loss shows that MAWC's plan to purchase the Hallsville system is  
14 not economically feasible, especially given the capital requirements necessary to address  
15 the compliance issues with the Missouri Department of Natural Resources ("MDNR")  
16 referenced in Matt Horan's Direct Testimony and the staff's Memorandum. See MAWC –  
17 DT – Horan, Pages 5-7; Schedule JAB-d2, Page 11 to MO PSC – DT - Busch.

### 18 III. PUBLIC INTEREST

19 **Q. Do you believe that a sale of the Hallsville sewer system to MAWC is in the public**  
20 **interest?**

21 A. No. The Commission's requirement for applicants for a certificate of convenience and  
22 necessity to file a feasibility study demonstrates that the feasibility study is an integral

1 part of determining whether a proposed acquisition is in the best interest of the public.  
2 Because MAWC's feasibility study does not use a traditional format, lacks current data,  
3 includes irrelevant water data, and lacks a discernible and qualitative outcome showing  
4 that the acquisition of Hallsville's sewer system is economically feasible over time, it  
5 does not support a finding that MAWC's Application is in the public interest. To the  
6 contrary, its projection of ongoing losses in the face of significant MDNR compliance  
7 issues that must be addressed demonstrate that MAWC's Application is not in the public  
8 interest and the ongoing losses and need to make significant capital expenditures to  
9 resolve current regulatory compliance issues and achieve future compliance will result in  
10 unknown and significant rate increases and affordability issues in the state permitting  
11 process. For these reasons, I do not believe it is in the public interest for MAWC to own  
12 and operate the Hallsville sewer system and provide service to the system's customers.

13 **Q. What do you ask the Missouri Public Commission to do in this case?**

14 A. Disapprove MAWC's Application.

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

16 A. Yes.