

OPC DR's 35-43 Indian Hills Rate Case

35. For every entity, the company offered a corporate guarantee for the debt. However, no individual who would have sufficient assets to satisfy a request for personal guarantee has been willing to personally guarantee a loan because of the same risk factors that concern the lending institutions.

36. The interaction with banks it is a multi-step process. First, the company has to contact the bank and find the appropriate lending personnel. Second, the Company has to have an in-depth conversation either in person or on a conference call about the business, the specific utility project, and the regulatory environment surrounding investor owned utilities. If the bank is willing to continue the conversation, then the bank application is sent and reviewed by the lending institution. After that, the bank typically makes an initial decision if it is interested in the regulated utility market. If it is interested, then specific terms would be discussed.

The Bank of Sullivan decided it was not interested in regulated utility debt at all due to a lack of internal expertise with such business and did not continue the conversations past the review of the application and its follow-up rejection email.

US Bank was offered corporate guarantees as a part of the conversation, but did not seem to get comfortable with the regulatory environment for distressed utilities.

Peoples Bank had two in-person meetings and a bank representative called the head of the Missouri Public Service Commission's Water and Sewer Department, Jim Busch, in order to understand potential risks in the regulatory environment. In the end, the bank did not seem to be able to overcome the understanding that a financing approval from the Commission is not a guarantee for future rate making purposes.

37. The Company provided a pro forma financial statement as part of the bank application. As an organization, we are willing to be flexible on terms and capitalization with a bank. Unfortunately, none of the banks to date have been willing to continue conversations to such a point that terms, capitalization, etc. have been discussed. Co-Bank, a lender with significant experience and expertise in small water and wastewater lending, summarized with our organization as a part of the Elms Hills financing process the reasons it is currently unwilling to loan to small distressed utilities. (See the attached e-mail).

38. Please see DR 37.

39. None of the banks we have dealt with to date have continued the conversation to the point of discussing terms on short term debt obligations. The banks can't seem to get comfortable with the regulatory environment for distressed utility debt.

41. There are not operating agreements since all of the operating entities are corporations.

42. Because there is no disposition agreement in place purporting to provide for a full resolution of the rate case, no new or revise tariff sheets have been prepared at this time. Instead, the Company plans to produce a proposed tariff sheet, or sheets, that is/are consistent with the Commission's ultimate order in this case.

Exhibit No. 240  
Date 11-28-2017 Reporter Stewart  
File No. WR-2017-0259

43. Please see the attached documents representing rate case expenditures to date. The outside rate case expenses are based upon hourly rates. Thus, they will be more, or less, depending upon the process necessary to reach a resolution in this case (for example, whether the matter is tried; if so, how many issues are tried, length of hearing, etc.). Given the uncertainty as to what will be required, Indian Hills does not have an estimate of those future expenses.