

Exhibit No. \_\_\_\_\_  
Issue: Bank Applications, Intercompany  
Transfers, Prepayment, Exit Plan, Debt Terms,  
Capital Structure, WACC, Management  
Consulting Fees, Compliance with Commission  
Orders  
Witness: Josiah Cox  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Indian Hills  
Case No.: WR-2017-0259  
Date: October 27, 2017

**Missouri Public Service Commission**

**Rebuttal Testimony**

**of**

**Josiah Cox**

**On Behalf of**

**Indian Hills Utility Operating Company, Inc.**

**October 27, 2017**

**NP**

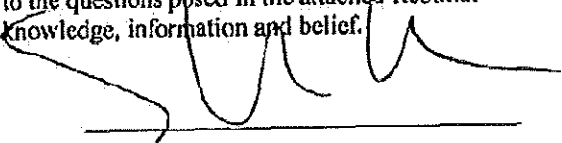
**\*\* \_\_\_\_\_ \*\* Denotes Confidential**

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10/27/17 Reporter KR  
File No. WR-2017-0259

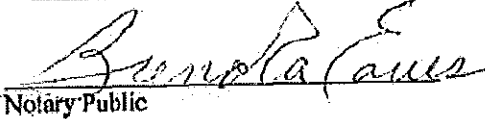
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STATE OF MISSOURI     )  
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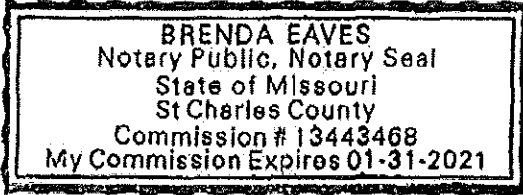
I, Josiah Cox, state that I am the President of Indian Hills Utility Operating Company, Inc. and, that the answers to the questions posed in the attached Rebuttal Testimony are true to the best of my knowledge, information and belief.



Subscribed and sworn to before me this 27 day of October 27, 2017.

  
Notary Public

My Commission Expires:  
01/31/2021



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REBUTTAL TESTIMONY OF  
JOSIAH COX  
INDIAN HILLS UTILITY OPERATING COMPANY, INC.

1 WITNESS INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

5 Q. WHAT IS YOUR POSITION WITH INDIAN HILLS UTILITY OPERATING  
6 COMPANY, INC. (INDIAN HILLS OR COMPANY)?

7 A. I hold the office of President of Indian Hills and Central States Water Resources,  
8 Inc.

9 Q. ARE YOU THE SAME JOSIAH COX THAT PROVIDED DIRECT TESTIMONY  
10 IN THIS PROCEEDING?

11 A. Yes.

12 PURPOSE

13 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

14 A. The purpose of my rebuttal testimony is to respond to the direct testimony of:  
15 Office of the Public Counsel ("OPC") witness Greg Meyer concerning corporate  
16 structure and reasonableness of debt terms; OPC witness Michael P. Gorman,  
17 concerning cost of debt; and, OPC witness Keri Roth concerning consulting fees  
18 and prior Commission orders.

19



1 addressing Commission depreciation rates, water rate case information from a  
2 Missouri-American Water case, a personalized bank loan application letter, and  
3 bank pro forma. Additionally, all of the email correspondence between the  
4 potential lenders and the Indian Hills representative was also provided along with  
5 documentation attachments. Given this, it's hard to understand Mr. Meyers  
6 comment that it is "extremely difficult to determine what information, if any, was  
7 provided to each of these institutions." The full applications and corresponding  
8 emails were proved to the OPC. The Company believes these copies of written  
9 correspondence and documents exchanged with banks provides substantial  
10 evidence of what has been provided.

11 **Q. MR. MEYER FURTHER SUGGESTS THAT BASED ON THE INFORMATION**  
12 **PROVIDED, THE OPC COULD NOT WHAT WAS OFFERED TO ATTRACT**  
13 **DEBT, NOR COULD OPC CONCLUDE THAT INDIAN HILLS IS NOT ABLE TO**  
14 **ATTRACT DIFFERENT DEBT. WHAT COMMENTS DO YOU HAVE**  
15 **REGARDING MR. MEYER'S COMMENT?**

16 **A.** Working with banks is a multi-step process. First, a company has to contact the  
17 bank and find the appropriate lending personnel for commercial loans. Second,  
18 the Company must have an in-depth conversation, either in-person or on a  
19 conference call, about the regulated water/sewer utility business, the specific  
20 water/sewer utility project, and the regulatory environment surrounding investor-  
21 owned utilities. If the bank is willing to continue the conversation, then the  
22 organization's bank application is sent and reviewed by the lending institution.

1 After that, the bank typically makes an initial decision if it has any interest in the  
2 regulated utility market. If the bank is interested, then specific terms would be  
3 discussed. Mr. Meyer's testimony suggests that bank financing would be  
4 available if Indian Hills only would be willing to offer more favorable terms. To  
5 date, no bank has been interested enough in a CSWR water or sewer utility  
6 project to discuss specific terms such as capital structure, interest reserves, etc.  
7 This is borne out by the previously provided correspondence with potential bank  
8 partners.

9 **Q. HAVE YOU APPLIED FOR FINANCING WITH OTHER BANKS SINCE THE**  
10 **INDIAN HILLS FINANCING APPLICATION WAS PROCESSED?**

11 A. Yes. Since that time, CSWR has submitted nine more bank applications for  
12 various projects, including applying for a loan inside the lending footprint of First  
13 State Community Bank, who Mr. Meyer specifically mentions as encouraging us  
14 to apply for financing on another project. We have also applied to an equipment  
15 financing company and private capital groups.

16 **Q. WHAT WAS THE RESULT OF THOSE APPLICATIONS?**

17 A. To date, no bank or other institutional finance group has been willing to provide  
18 CSWR with debt financing for small water and sewer projects.

19 **Q. WHY DO YOU THINK BANKS FIND FINANCING SMALL DISTRESSED**  
20 **WATER UTILITIES LIKE INDIAN HILLS TO NOT BE ATTRACTIVE?**

21 A. I think there are several reasons. For perspective, Staff determined that Indian  
22 Hills had a net book value of \$43,966 at the time of Indian Hills's acquisition

1 case. Indian Hills' net book value versus dollars required to bring the system into  
2 Missouri Department of Natural Resources ("MDNR") compliance represented a  
3 2.5% equity basis. The actual basis would have been even less as that net book  
4 value did not take into account the tax liens against I.H. Utilities (the prior owner)  
5 that existed prior to closing. If the existing \$43,357.37 in tax liens were counted  
6 against the utility assets, the net book value would be \$609, or 0.03%, on an  
7 equity basis versus the improvements required. Moreover, the annual reports  
8 filed by the previous owner suggest that it had an Earnings Before Interest, Tax,  
9 and Amortization of less than \$32,000 annually on \$93,940 of revenue. The  
10 utility represented a significant commercial liability with existing tax liens, MDNR  
11 compliance issues, on-going and past drinking water violations, and an actual  
12 public health risk (a lack of minimum system pressure and corresponding boil  
13 water notice allowing residents to be potentially exposed to drinking water  
14 contaminants).

15 **Q. WHAT FUNDS WERE NEEDED TO ADDRESS THESE ISSUES?**

16 A. In order to meet minimum MDNR environmental requirements, Indian Hills had to  
17 invest approximately \$1.84 million in a very short time frame -- something that  
18 would be required of any entity that attempted to bring these systems into  
19 compliance.

20 **Q. DO YOU BELIEVE THE REGULATORY PROCESS HAS ANY IMPACT ON**  
21 **FINANCING OPPORTUNITIES?**



1 A. Yes. Regulatory lag further makes debt harder to obtain. For example, Indian  
2 Hills began construction on the improvements that are the subject of this case in  
3 April of 2016. The direct costs of operating the Indian Hills system has resulted  
4 in a cash loss, outside of any overhead allocations, of \$371,611.66, since 2016.  
5 I estimate, based on experience and statutory guidelines, that small, distressed  
6 utilities take 3-4 four months of engineering and permitting with MDNR, and 5-6  
7 months of construction. The small rate case format has a target of 11 months  
8 from filing to new rates. This means that from initial expenditures on engineering  
9 for MDNR permitting, through construction, then through a rate case, a small  
10 distressed water and sewer company can expect to lose money on professional  
11 operations and pay for major capital improvements (in Indian Hills's case capital  
12 costs are over 40x of existing net book value) for 17-21 months before any cash  
13 flow stabilization. The regulatory lag associated with Indian Hills' third party  
14 outside professional certified drinking water operations, critical equipment  
15 maintenance, and drinking water infrastructure repairs through the end of  
16 September 2017, is 8.5x the rate base of Indian Hills at the time of acquisition. If  
17 corporate allocations were applied, this cash loss would be even higher. Asking  
18 a bank to loan money to a water company with significant MDNR drinking water  
19 safety/reliability issues, existing tax liens, that will lose the cash equivalent of 8.5  
20 times the existing balance sheet (cash losses that are unrecoverable on a dollar  
21 for dollar basis due to regulatory lag), needs investment capital worth 40 times  
22 the existing balance sheet, and isn't going to have new cash flow for over 1.5

1 years from the first potential bank loan distribution, without any guarantee that  
2 financing will be recognized in rates until that future rate case is extremely  
3 difficult. I have attached an email correspondence from an experienced water  
4 and wastewater lender that outlines these problems as Schedule JC-1R-C.

5 **Q. HAVE YOU HAD THE OPPORTUNITY TO FURTHER EXPLORE WHAT**  
6 **GOVERNMENTAL PROGRAMS AND ASSISTANCE MAY BE AVAILABLE**  
7 **FOR SMALL INVESTOR-OWNED WATER/SEWER UTILITY FINANCING?**

8 A. Yes. I have explored these options in the past. However, on August 17th of this  
9 year, I was able to attend a workshop sponsored by The Missouri Department of  
10 Natural Resources and organized by the Environmental Finance Center Network  
11 (EFCN), which is connected to the United States Environmental Protection  
12 Agency. The all-day event in Springfield Missouri was titled "Multi-Funding  
13 Workshop for Small Water Systems."

14 **Q. WHAT DID YOU LEARN AT THAT WORKSHOP?**

15 A. According to the EFCN, there are potential funding groups for small water and  
16 wastewater systems in Missouri. However, all of the funding agencies present at  
17 the workshop reported that investor-owned utilities do not qualify for funding.

18 **Q. DID THE WORKSHOP OFFER ANY OTHER ALTERNATIVES?**

19 A. EFCN suggested (as have others) that we attempt to obtain financing with Co-  
20 Bank. This is a bank that CSWR had previously approached and whose  
21 rejection summary is attached as Schedule JC-1R-C.

22 **Q. DID YOU HAVE ANY OTHER FOLLOW-UP FROM THE WORKSHOP?**

1 A. Yes. I signed up to receive additional materials from the workshop related to  
2 financing. These materials provided a way to request assistance from EFCN.  
3 On August 24, 2017, I both received those materials and immediately applied for  
4 technical assistance seeking funding (see **Schedule JC-2R** - EFCN Technical  
5 Assistance Request Acknowledgement Email). On Oct. 10, 2017, EFCN  
6 responded and put me in touch with Tom Roberts, the former President and  
7 Chief Operating Officer of Aqua North Carolina (an Regulated Investor Owned  
8 Water & Wastewater Company), who is now part of EFCN. Mr. Roberts and I  
9 spoke on October 10<sup>th</sup> by telephone. On the call, Mr. Roberts told me he did not  
10 think there is any money available to small distressed regulated utilities in  
11 Missouri. Soon after the call, Mr. Roberts sent an email (See **Schedule JC-3R** -  
12 EFCN Technical Assistance Response) regarding EFCN funding options in  
13 Missouri. It was the same information disseminated at the original workshop. In  
14 the email, Mr. Roberts suggested that the best method to obtain cheaper  
15 financing for small investor owned utilities in Missouri is for the Missouri General  
16 Assembly to amend the statutes regarding investor-owned utilities' access to  
17 State Revolving Fund Loans (SRF).

18 **INTERCOMPANY TRANSFERS**

19 **Q. OPC WITNESS MEYER FURTHER SUGGESTS THAT INTERCOMPANY**  
20 **TRANSFERS MAKE IT DIFFICULT FOR STAFF OR OPC TO MONITOR**  
21 **OPERATIONS OR DETERMINE WHAT UTILITIES NEED SCRUTINY. WHAT**

1           **IS THE PURPOSE OF THE INTERCOMPANY TRANSFERS IDENTIFIED BY**  
2           **MR. MEYER?**

3    A.    Since CSWR purchases distressed small utilities with almost no existing Net  
4           Book Value (2.5% versus the amount of investment required in the case of Indian  
5           Hills), very little existing revenue (According to the 2015 I.H. Utilities Annual  
6           Report the Earnings Before Interest, Tax, and Amortization for the utility was  
7           approximately \$31,231.21), and run at a cash loss for professional outside  
8           operations (Indian Hills has run at a cash loss of \$357,000) the holding company  
9           makes cash infusions (intercompany transfers) into the various utilities until rates  
10          can be raised to match investments and expenses. In addition, required critical  
11          re-investment costs are lumpy even after rates have been raised. For example,  
12          Hillcrest invested approximately \$70,000 in January of this year to replace 65  
13          original system failing meters after only having 3.5 months of rate stabilized  
14          revenue (this rate case was also still under appeal by the OPC at that time). This  
15          investment required an cash infusion (intercompany transfer).

16   **Q.    WHAT DO YOU THINK COMMISSION SHOULD UNDERSTAND FROM MR.**  
17           **MEYER'S ANALYSIS OF INTERCOMPANY TRANSFERS?**

18    A.    Mr. Meyer's analysis of CSWR's intercompany cash transfers further  
19           demonstrates why bank financing is so difficult to obtain for small distressed  
20           utilities. Mr. Meyer clearly shows how existing utilities' revenues are not  
21           sufficient to support routine professional operations. Mr. Meyer's analysis of  
22           Hillcrest Utility Operating Company, Inc. and Raccoon Creek Utility Operating

1 Company, Inc., for example, show that professional operations, power,  
2 chemicals, customer service, and repair costs are larger than existing revenues  
3 before rates are raised. Even once rates are raised, capital investments required  
4 are lumpy. Even after rates were raised at Hillcrest, more capital was required to  
5 fund a major meter project. The financial reality is that CSWR has to fund even  
6 existing operations from cash provided by a larger holding company is a further  
7 negative in regard to financing small distressed utilities.

8 **Q. WHAT DOES MR. MEYER'S ANALYSIS OF INTERCOMPANY TRANSFERS**  
9 **SAY ABOUT INDIAN HILLS SPECIFICALLY?**

10 A. Mr. Meyer's intercompany transfer analysis demonstrates why a company like  
11 Indian Hills is suited to purchasing the assets of a small distressed utility like I.H.  
12 Utilities. Indian Hills has operated at a cash loss of over \$357,000 since its  
13 acquisition of the water assets of I.H. Utilities in March of 2016. Indian Hills has  
14 funded the repair of over 300 leaks, over 40 water service line replacements,  
15 replaced meters and meter pits, brought in certified operations, and constructed  
16 a MDNR compliant drinking water system at Indian Hills Lake. There are a  
17 limited number of organizations with the assets, ability, and willingness to  
18 perform in this fashion.

19 **PREPAYMENT**

20 **Q. OPC WITNESS MEYER ALLEGES THAT YOU MISLEAD THE COMMISSION**  
21 **ABOUT THE POSSIBILITY OF A FUTURE LOAN REFINANCE THAT COULD**  
22 **LOWER CUSTOMER RATES. DOES THE CURRENT DEBT PREPAYMENT**

1 **PENALTY PRECLUDE INDIAN HILLS FROM POTENTIALLY LOWERING**  
2 **OVERALL DEBT PAYMENT COSTS IN THE FUTURE?**

3 A. No. Contrary to Mr. Meyer's accusation, I believe there are a couple of avenues  
4 in which the current debt at Indian Hills and other utilities could be lowered in the  
5 future by leveraging economies of scale between multiple, formerly distressed,  
6 utilities that have been re-capitalized with subsequent rate cases to reflect those  
7 investments. One method is to attract another investment partner who lowers the  
8 debt rate for small distressed water utilities. The second method would be to  
9 package a number of utilities' existing debt into a larger debt security offering.  
10 Indian Hills witness Thaman will further address the reasonableness of these two  
11 possibilities.

12 Q. \*\* \_\_\_\_\_  
13 \_\_\_\_\_ \*\*?

14 A. \*\* \_\_\_\_\_  
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20 \_\_\_\_\_.\*\*

21 Q. **HAVE ANY EVENTS SINCE YOUR PREVIOUS TESTIMONY MADE THIS**  
22 **LARGER DEBT OFFERING SCENARIO MORE LIKELY?**

1 A. Yes.

2 **Q. WHAT HAS CHANGED?**

3 A. The first post-construction Hillcrest Utility Operating Company, Inc. rate case has  
4 come to a close. On June 27, 2017, The Missouri Supreme Court denied the  
5 Office of the Public Counsel's Application for Transfer, effectively ending the rate  
6 case that was initially filed September 15, 2015. While rates resulting from that  
7 rate case became effective on August 19, 2016, the June 27, 2017 ruling was  
8 important in that no part of Hillcrest's existing rate was subject to refund and  
9 could be fully recognized as the Company's revenue. \*\* \_\_\_\_\_

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17 **Q.** \*\* \_\_\_\_\_

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19 \_\_\_\_\_? \*\*

20 **A.** \*\* \_\_\_\_\_

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**EXIT PLAN**

10 **Q.** \*\* \_\_\_\_\_  
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13 \_\_\_\_\_\*\*?

14 **A.** \*\* \_\_\_\_\_  
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3 **Q.** \*\* \_\_\_\_\_

4 \_\_\_\_\_ \*\*?

5 **A.** \*\* \_\_\_\_\_

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**DEBT TERMS**

15 **Q. HAS THE COMPANY MADE PROGRESS ON FINANCING AND DEBT**  
16 **TERMS?**

17 **A.** Yes, as mentioned above the company has used recent developments in its  
18 utility business to half the current debt pre-payment penalties and lower interest  
19 rates.

20 **Q. DO YOU HOPE TO CONTINUE TO MAKE PROGRESS?**

1 A. Yes. The organization firmly believes that if the actual conditions of the systems  
2 continue to be accounted for in rate cases that capital market terms will continue  
3 to improve.

4 Q. **HAS THE COMPANY MADE SPECIFIC EFFORTS AT FINANCING IN**  
5 **RESPONSE TO STAFF OR OPC SUGGESTIONS?**

6 A. Yes. For example, we have reached out to First State Community Bank and Co-  
7 Bank, entities that Staff or OPC suggested might be able to finance small water  
8 utility projects.

9 **RESPONSE TO OPC WITNESS GORMAN**

10 **DEBT RATE**

11 Q. **OPC WITNESS GORMAN STATES THAT INDIAN HILLS SHOULD USE AN**  
12 **IMPUTED LEVEL OF DEBT OF 6.75%, A MEDIAN VALUE OF DEBT FROM**  
13 **DAYTON POWER & LIGHT. WHAT IS YOUR OPINION OF THAT POSITION?**

14 A. The debt rate Mr. Gorman suggests is not available to Indian Hills. Mr. Thaman  
15 will testify on why Mr. Gorman's debt analysis is faulty. Additionally, I believe Mr.  
16 Gorman's whole attempted debt analysis demonstrates the difficulty small  
17 distressed water utility companies face when trying to obtain financing.

18 Q. **WHY DOES MR. GORMAN'S DEBT ANALYSIS DEMONSTRATE THE**  
19 **DIFFICULTY SMALL UTILITIES FACE IN OBTAINING FINANCING?**

20 A. Because Mr. Gorman tries to apply a hypothetical debt rate from a company,  
21 Dayton Power and Light, that is 1000's of times larger than Indian Hills both pre-  
22 investment when debt is applied for and post-investment. Dayton Power and

1 Light is owned by AES, a company that manages \$36 Billion dollars of assets.

2 This comparison ignores the reality of distressed small utilities.

3 **CAPITAL STRUCTURE**

4 **Q. OPC WITNESS GORMAN OPINES THAT AN APPROPRIATE CAPITAL**  
5 **STRUCTURE WOULD BE 50% DEBT AND 50% EQUITY. IS THAT CAPITAL**  
6 **STRUCTURE AVAILABLE TO INDIAN HILLS?**

7 A. No. Mr. Gorman incorrectly tries to apply a capital structure that does not exist to  
8 Indian Hills. Mr. Gorman utilizes Dayton Power and Light, which is over 4,400  
9 times larger than Indian Hills pre-investment, for his debt rate proposal.  
10 However, he then ignores Dayton Power and Light's existing capital structure  
11 (which is 67.73% debt to 32.27% equity) applying a 50%/50% structure to Indian  
12 Hills as a target. Mr. Gorman's hypothetical capital structure has nothing to do  
13 with Indian Hills.

14 **Q. WHAT SHOULD THE COMMISSION DO IN REGARDS TO CAPITAL**  
15 **STRUCTURE?**

16 A. The Commission should use Indian Hill's actual capital structure.

17 **WACC**

18 **Q. OPC WITNESS GORMAN ULTIMATELY SUGGESTS A 8.045% WEIGHTED**  
19 **AVERAGE COST OF CAPITAL ("WACC"). DOES MR. GORMAN'S WACC**  
20 **ANALYSIS FIT INDIAN HILLS?**

21 A. No. Mr. Gorman attempts to utilize a debt rate from a company 4,400 times  
22 larger than Indian Hills on a capital structure that is discounted from the same

1 larger company Mr. Gorman derived his debt rate, and utilizes a return on equity  
2 that is less the Commission has previously ordered for Missouri-American Water  
3 Company, the largest water utility company in Missouri. Mr. Gorman's structure  
4 is based on a debt rate that is just not available to a small distressed water  
5 system given the existing risks including 27 existing MDNR compliance issues,  
6 on a capital structure that does not exist for a utility with a 2.5% equity basis at  
7 the time of acquisition compared to MDNR required/Staff recognized investment  
8 requirements, with a with a return on equity that is lower than the largest water  
9 and wastewater utility in Missouri. This WACC has no relevance to Indian Hills.

10 **Q. WHAT SHOULD THE COMMISSION DO WITH WACC?**

11 A. The Commission should utilize the WACC developed by Mr. D'Ascendis, which  
12 accounts for actual debt costs, actual capital structure, and a reasonable ROE.

13 **RESPONSE TO OPC WITNESS ROTH**

14 **MANAGEMENT CONSULTING FEES**

15 **Q. OPC WITNESS ROTH HAS NOT INCLUDED MANAGEMENT CONSULTING**  
16 **FEES IN HER REVENUE REQUIREMENT. WHAT ARE THE REFERENCED**  
17 **MANAGEMENT CONSULTING FEES?**

18 A. The management consulting fees are amounts paid pursuant to contract by  
19 Indian Hills to Lois Stanley, the previous Owner of I.H. Utilities.

20 These fees have been paid since March 31, 2016.

21 **Q. HOW MUCH IS PAID BY INDIAN HILLS?**

22 A. \$500 a month.

1 **Q. WHY ARE THE MANAGEMENT CONSULTING FEES BEING PAID?**

2 A. The Indian Hills system is approximately 50 years old and, to the Company's  
3 knowledge, there are no original engineering plans or system mapping showing  
4 the location and type of infrastructure services the Indian Hills community. In  
5 addition, no detailed engineering or operational records existed to describe how  
6 the original system operated.

7 Ms. Stanley has been utilized to help locate elements of the water system that  
8 were not documented in drawings or plans, clarify existing connection points, and  
9 to explain the system-specific nuances of operating the 50-year-old system that  
10 she developed as a result of her owning the system for previous 6+ plus years  
11 since her late husband, the previous Owner/Operator, passed away. The  
12 Company plans to continue to utilize Ms. Stanley as an aid in locating lines  
13 where work will be required. Because there are over 16 miles of water main in  
14 the Indian Hills system, even at the end of 3 years, Indian Hills will still have  
15 areas that have yet to be worked on.

16 **COMPLIANCE WITH COMMISSION ORDERS**

17 **Q. WHAT ALLEGATIONS DOES OPC WITNESS ROTH MAKE ABOUT**  
18 **PREVIOUS COMMISSION ORDERS?**

19 A. Ms. Roth contends that Indian Hills did not comply with a number of Commission  
20 Orders in the original WO-2016-0045 financing case in regard to reporting as to  
21 the initial issuance of debt to Indian Hills, potential violation of debt covenants,

1 use of Indian Hills debt proceeds, and changes to the investment structure of  
2 Indian Hills.

3 **Q. WHAT REPONSE DO YOU HAVE ABOUT REPORTING ON INITIAL DEBT**  
4 **ISSUANCE?**

5 A. First, I would note that Notice of each of the closings completed by the  
6 organization's operating companies has been timely provided. The following is a  
7 listing of the File Numbers., closing dates, and date the Notice of Closing was  
8 filed for each of those matters:

File No.	Closing Dates	Notice of Closing Filed
WO-2014-0340 (Hillcrest Utility Operating Company, Inc.)	March 13, 2015	March 20, 2015
File No. SM-2015-0014 (Raccoon Creek Utility Operating Company, Inc.)	March 13, 2015, and March 16, 2015	March 20, 2015
File No. WO-2016-0045 (Indian Hills Utility Operating Company, Inc.)	March 31, 2016.	April 4, 2016
File No. SM-2017-0150 (Elm Hills Utility Operating Company, Inc.)	October 16, 2017	October 20, 2017

9  
10 We do not have the exact date the financing documentation was provided to Staff  
11 and OPC. However, as to the Hillcrest, Raccoon Creek, and Indian Hills matters,  
12 it has been in Staff's and OPC's possession for over a year.

13 **Q. WHAT REPONSE DO YOU HAVE ABOUT IN REGARD TO REPORTING OF**  
14 **DEBT COVENANT VIOLATIONS?**

15 A. The Company is not in violation of any debt covenants, nor were there any debt  
16 payments due. Indian Hills debt waivers were issued to match the fact that debt

1           could not begin being repaid until revenues are raised to match previous  
2           investment. This has been the organization's practice for each of the utilities for  
3           which construction have been completed. Copies of waivers have been  
4           previously provided.

5   **Q.   WHAT RESPONSE DO YOU HAVE AS TO WHETHER DEBT PROCEEDS**  
6   **WERE UTILIZED TO FUND INDIAN HILLS IMPROVEMENTS?**

7   A.   Indian Hills was issued \$1.45MM in debt principal and even the OPC using a  
8       hypothetical debt rate with corresponding AFUDC and discounting the Staff and  
9       Company partial disposition agreement treatment of Crawford Electric electrical  
10      improvements acknowledges that Indian Hills has made approximately \$1.8MM  
11      in improvements. All of the debt proceeds have been invested in Indian Hills.

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

13 A.   Yes, it does.

SCHEDULE JC-1R

HAS BEEN IDENTIFIED AS

CONFIDENTIAL



10/26/2017

Central States Water Resources Mail - Thank you for requesting assistance.



JC #2R

Josiah Cox <jcox@cswrgroup.com>

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## Thank you for requesting assistance.

1 message

---

Technical Assistance Request Form <aperch25@gmail.com>

Thu, Aug 24, 2017 at 8:56 AM

To: jcox@cswrgroup.com

Thank you for filling out a technical assistance request. Our experts will be in touch soon.

In the meantime, please feel free to take advantage of our free resources:

Smart Management for Small Water Systems Blog: [http://efcnetwork.org/small\\_systems\\_blog/](http://efcnetwork.org/small_systems_blog/)

Resource Library: <http://efcnetwork.org/resource-library/>

Thanks,

Environmental Finance Center Network

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JC #3R

Josiah Cox &lt;jcox@cswrgroup.com&gt;

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**Missouri Funding**

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Roberts, Tom <tom\_roberts@sog.unc.edu>  
To: "jcox@cswrgroup.com" <jcox@cswrgroup.com>

Tue, Oct 10, 2017 at 1:49 PM

Josiah –

I've attached a pdf of funding resources specifically for Missouri. It seems like after talking to you, that you probably have reached out to the regulars (SRF, USDA, CoBank) but there may be others on the list. As I told you, in North Carolina, the rules were changed to allow investor owned utilities access to drinking water SRF's. It takes some effort through the legislature but it may be worth the effort over the long run. The Utility Commission and consumer advocate may help because it ultimately reduces your cost of capital which helps the rate payers.

Here are some links to other resources you may find helpful:

- Environmental Finance Center Network - <http://efcnetwork.org/> There are lots of good resources that are free to use. Included is a map that has links to every state and territory for funding resources. There are also opportunities to view previous webinars and read blog posting.
- The Environmental Finance Center at the University of North Carolina at Chapel Hill - <https://efc.sog.unc.edu/> Again, lots of good stuff and it's all free. If you click on tools, there are some good Excel based tools to measure financial health and other items.
- EPA Water Finance Clearinghouse - <https://ofmpub.epa.gov/apex/wfc/f?p=165:1:120788487642::NO::> This one has a ton of resources also.

Hope that helps. Let me know if there is anything else we can do for you.

**Tom Roberts***Community Assistance Manager*

Environmental Finance Center at UNC Chapel Hill  
School of Government

Campus Box 3330, Knapp-Sanders Building

Chapel Hill, NC 27599-3330

T: 919.455.5647 F: 919.843.2528

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 **MO-Water-Wastewater-Funds-2017-1.pdf**  
378K

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