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March 26, 2021

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LA PUBLIC SERVICE COMMISSION

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LA Public Service Commission

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

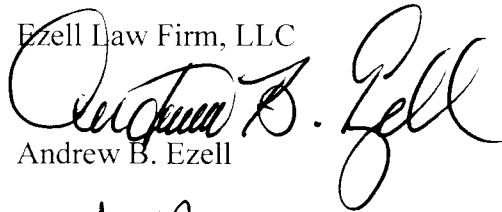
Re: Magnolia Water Utility Operating Company, LLC
Petition for Non-Opposition To The Transfer
of Water and Wastewater System Assets (River Park
Estates, Phase 2)

Dear Mr. Frey:

Please find enclosed an original and three copies of Magnolia Water Utility Operating Company, LLC's Application for Non-Opposition to the transfer of water and wastewater system assets by River Park Estates, LLC in St. Tammany Parish. After review, please see that a docket is opened in connection with this filing and that notice is placed in the Official Bulletin on April 2, 2021. Further, we ask that you exercise your discretion pursuant to Rule 19 of the Commission's Rules and shorten the period to protest this application from twenty-five (25) to fifteen (15) days. Upon filing, we request that the Records Division date stamp and return a copy by hand to our courier.

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

Sincerely,

Ezell Law Firm, LLC

Andrew B. Ezell

ROUTE TO Bull ^{15 days} DATE 3/26 ROUTE FROM _____

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MAY 28 2021

LA Public Service Commission

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

MAGNOLIA WATER UTILITY
OPERATING COMPANY, LLC, EX PARTE

DOCKET NO.

In re: Request for Letter of Non-Opposition to the Transfer of Water and Wastewater System Assets (River Park Estates, Phase 2) by Developer to Magnolia Water Utility Operating Company, LLC

**PETITION FOR LETTER OF NON-OPPOSITION TO THE TRANSFER OF
THE ASSETS OF WATER AND WASTEWATER SYSTEMS
TO BE REGULATED BY
THE LOUISIANA PUBLIC SERVICE COMMISSION**

SELLER: River Park Estates, 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 Louisiana Public Service Commission ("Commission") jurisdiction, Magnolia Water Utility Operating Company, LLC ("Magnolia") seeks a letter of non-opposition from the Commission to the transfer by River Park Estates, LLC (hereafter "Seller" or "River Park"), of all of the assets and property comprising a water system and wastewater system to Magnolia for the purpose of providing regulated water and wastewater service to customers in St. Tammany Parish, Louisiana (the "Systems").

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 currently serves approximately 22,776 sewer connections and approximately 12,887 water connections in regulated systems in parishes throughout Louisiana. 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, Arkansas, Kentucky, Texas and Louisiana. A chart showing the companies in the affiliate group is attached hereto as **Exhibit A**. The significance of those affiliate relationships to the proposed transaction is discussed in greater detail below. The principal address of Central States and CSWR is 1650 Des Peres Road, Suite 303, St. Louis, MO 63131. The principal address of Magnolia is 10761 Perkins Road, Suite A, Baton Rouge, LA 70810. All notices and other official documents related to the application should be sent to the attention of Andrew B. Ezell, c/o Ezell Law Firm, LLC, 10761 Perkins Road, Suite A, Baton Rouge, Louisiana 70810, or at the following email address: aezell@ezellfirm.com. Copies also should be sent to Josiah Cox, President, Mike Duncan, Assistant Vice President, 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.

River Park is currently developing Phase 2 of River Park Subdivision, including the construction of water and wastewater system assets designed to serve seventy-nine (79) single-family residential homesites located in St. Tammany Parish, Louisiana. River Park is a Louisiana limited liability company, in good standing, whose principal office address is 22161 Marshall Road, Suite C, Mandeville, LA 70471. All notices and other official documents related to the application should be sent to the attention of Corie Herberger, 22161 Marshall Road, Suite C, Mandeville, LA 70471, or at the following email address: corie@aqconstruction.net.

The Seller proposes to sell, transfer and assign to Magnolia all of 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 used to provide regulated water and wastewater services to the Systems. Magnolia and Seller have entered into a formal Utility Service Agreement (the "Agreement") specifying the terms of the proposed transaction, which is attached hereto as **Exhibit B** and incorporated herein by reference. In accordance with Rule 12.1 of the Commission's Rules of Practice and Procedure, Exhibit B has been designated "Confidential" because it contains information regarding strategies employed in contract negotiations and other competitively sensitive information.

The proposed transaction is scheduled to close (a) within sixty (60) days of the effective date of any required regulatory approval, (b) upon satisfaction of Seller's representations, warranties, and conditions set forth in the Agreement or (c) 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, River Park and Magnolia will cooperate to satisfy all remaining closing conditions specified in the Agreement and take other steps necessary to ensure the proposed sale does not adversely affect future customers. At closing, Magnolia will adopt and provide service in accordance with state-wide tariff rates and fees currently on file with the Commission.

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, particularly developers, whose primary business is not the operation of regulated water or wastewater utilities.

Magnolia is the type of qualified buyer that small system operators and developers seek out to assure that customers receive safe, efficient and reliable water and wastewater operations and service. Through its relationship with CSWR (which acts as a service company for the group) and other companies within the affiliate group, Magnolia has access to highly skilled technical, managerial, and financial experts and resources not usually available to small water and wastewater companies. Magnolia's access to CSWR's personnel provides extensive experience in the technical, managerial, and financial aspects of the utility industry, particularly small systems,

and also innovative operational, marketing, and customer service programs that provide high quality advanced services at fair and reasonable rates.

Magnolia is a Commission-authorized operator of water and wastewater systems in Louisiana. Magnolia currently operates numerous water and wastewater systems throughout the state. Thus far, most of the systems Magnolia has acquired, if not all, have experienced some degree of operational neglect, with several recording numerous, and oftentimes ongoing violations of applicable health and environmental regulations. Significant capital improvements have been completed in many of the systems currently operated by Magnolia, and most are operating in full compliance with the rules and regulations of all applicable regulatory authorities. Those systems currently not in compliance are being systematically brought into compliance. Magnolia's systems are currently operated pursuant to agreements with the Louisiana Department of Environmental Quality and the Louisiana Department of Health and Hospitals concerning the timing and methodology required to bring troubled systems into post-acquisition compliance.

As previously noted, consummation of the proposed transfer of assets is contingent upon receipt of Commission approval of the transaction. To secure that approval, 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. 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, if necessary, required to bring the system into compliance with current and future health and environmental regulations. Moreover, Magnolia is committed to providing customers safe, efficient 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. Magnolia's only business is ownership and operation of small water and wastewater systems. Further, because of its ability to readily access any capital necessary to operate the Systems in compliance with all applicable health and environmental regulations, Magnolia's acquisition of the system assets will certainly enhance the financial condition of the Systems.
4. The system assets Magnolia proposes to acquire have never been operational. Thus, the Systems have never failed to satisfy any health or environmental regulations. As detailed elsewhere in the petition, Magnolia has identified certain capital investments and expenditures necessary to ensure that the Systems operate in full compliance with all applicable regulations post-acquisition. These system improvements, coupled with Magnolia's commitment to operate the Systems in a manner that ensures that customers receive safe, reliable, and adequate service at a fair price, will combine to provide a high quality of service to future customers of the Systems. Upon becoming operational, the wastewater system assets will send effluent to the River Park wastewater system operated

by Magnolia pursuant to Louisiana Pollutant Discharge Elimination System (“LPDES”) General Permit LA0127277 and AI No. 159496 issued by Louisiana Department of Environmental Quality. Water will be provided by Magnolia pursuant to system design specifications determined by the Louisiana Department of Health, Office of Public Health (“LDH”), to be in substantial conformity with LDH sanitary requirements pursuant to Permit No. LA1103198.

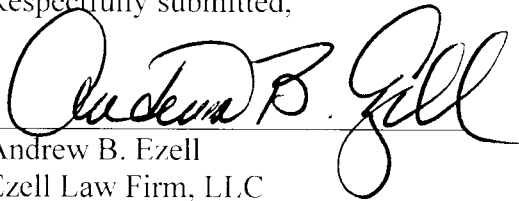
5. Authorizing Magnolia to acquire the Systems will bring both short and long-term benefits for customers. Technical, managerial, and financial resources available from its affiliates will enable Magnolia to quickly identify and remedy any deficiencies in the operation or management of the subject system. Also, because of economies of scale available to Magnolia as an affiliate of CSWR, Magnolia can access and utilize those resources at a lower cost than would otherwise be available to a stand-alone company. As explained below, Magnolia’s affiliate group also has access to funds required to make capital investments and expenditures necessary to ensure the system provides safe, efficient and reliable service that complies with all applicable health and environmental regulations.
6. The proposed transaction will not adversely affect competition because the Systems are to be connected to water and wastewater facilities already operated by Magnolia within close proximity to the Systems, thus creating operational and service efficiencies that would otherwise be unavailable to future ratepayers.
7. As noted elsewhere herein, personnel from Central States and CSWR 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 in planning any system improvements and additions necessary to provide safe, efficient and reliable service. As a result of the involvement of these highly skilled and experienced utility professionals, the quality of service that Magnolia can provide to customers will be greatly improved and enhanced.
8. Magnolia intends to hire a qualified and experienced third-party contractor to manage and operate the Systems day-to-day. The Seller has no qualified employees. Accordingly, Magnolia does not intend for the third-party contractor to offer employment to any current employee of the Seller.
9. The proposed transfer would be fair and reasonable to members, as evidenced by the fact that the sole member of River Park negotiated and approved the financial terms of the transaction and executed the Agreement. Further, Magnolia and River Park have no other business relationship or family affiliations. The terms of the transaction satisfy both Magnolia and River Park and are the result of fair, arms-length negotiation.
10. The proposed transaction will 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. Further, the proposed transaction should prove beneficial to the

state of Louisiana and the local communities near Phase 2 of the River Park Subdivision since those entities have an interest in ensuring that their citizens receive safe, adequate, and reliable water and wastewater services at fair and reasonable rates. Authorizing Magnolia to acquire River Park's system 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 Systems.
12. Neither River Park 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 that the sale of assets is concluded and that safe, efficient and reliable water and wastewater services are provided to future customers of the Systems.
13. Magnolia was formed for the purpose of acquiring and operating water and wastewater utilities in Louisiana. It has a good, but limited, track record of regulatory compliance in Louisiana. However, Central States, through its work with other companies within Magnolia's affiliated group, has compiled an enviable record of acquiring and operating small to mid-size water and wastewater systems, including many severely distressed systems, then successfully operating those systems in full compliance with health and environmental regulations. Affiliated companies within the group operating in Missouri, Kentucky and Texas have a good customer service and operating reputation with utility regulators in those states. (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 has ready access to capital required to make necessary investments and expenditures in the subject system. CSWR will provide the equity financing necessary to make the proposed asset acquisition. Ongoing capital needs will 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 2019 is attached hereto as **Exhibit C** and incorporated by reference. In accordance with Rule 12.1 of the Commission's Rules of Practice and Procedure, Exhibit C has been designated "Confidential" because it contains competitively sensitive information.
15. Though no major repairs or improvements are required at this time, Magnolia has identified certain investments in system upgrades, improvements, and replacements that it plans to make if the Commission approves the transaction. Magnolia will add flow metering and remote monitoring equipment to the water and wastewater facilities to facilitate more timely response and minimize the length and impact of any service-related issue.
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 will ensure the contractor's personnel have or obtain all required health, safety, and other permits.

17. Magnolia, through CSWR, will invest equity capital to purchase Seller's assets. Consequently, the asset purchase would not encumber the utility's assets in any way. Ongoing capital needs will 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 horizontal line underneath it.

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