

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1146, SUB 13  
DOCKET NO. W-1328, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Red Bird Utility Operating	)	
Company, LLC, 1650 Des Peres Road,	)	
Suite 303, St. Louis, Missouri 63131, and	)	
Total Environmental Solutions, Inc., Post	)	
Office Box 14056, Baton Rouge,	)	
Louisiana 70898, for Authority to Transfer	)	MOTION OF THE PUBLIC
the Lake Royale Subdivision Water and	)	STAFF TO COMPEL
Wastewater Utility Systems and Public	)	
Utility Franchise in Franklin and Nash	)	
Counties, North Carolina, and for	)	
Approval of Rates	)	

NOW COMES the Public Staff, by and through its Executive Director, Christopher J. Ayers, and moves the Commission to compel Red Bird Utility Operating Company, LLC d/b/a Red Bird Water (Red Bird or Company), to fully and promptly respond to Public Staff Data Request No. 13 as detailed below. In support of this motion, the Public Staff respectfully shows the Commission the following:

1. On June 7, 2021, Red Bird and Total Environmental Solutions, Inc. (TESI), filed with the Commission an Application for Transfer of Public Utility Franchise and for Approval of Rates seeking authority to transfer the water and wastewater utility systems and public utility franchise serving Lake Royale Subdivision in Franklin and Nash Counties, North Carolina, from TESI to Red Bird and approval of rates.

2. On July 11, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) scheduling deadlines for the completion of discovery in this matter and the filing of testimony. Under Item 6 of the discovery guidelines, the objecting party shall file any objections with the Commission, with a copy of the relevant discovery request attached. The party seeking discovery then has two business days to file a motion to compel, and the objecting party has one business day thereafter to respond.

3. On August 25, 2023, Red Bird filed a Motion for Extension of Time to File Testimony requesting an extension of time, *nunc pro tunc*, to Wednesday, August 30, 2023, to file direct testimony, that the deadline for the Public Staff and intervenors, if any, to file testimony be extended to September 19, 2023, and that the October 3, 2023 due date for filing any rebuttal testimony by Red Bird remain the same as set in the Scheduling Order. The Commission granted this motion on the same day.

4. On August 24, 2023, the Public Staff sent Red Bird its Data Request No. 13, with the subject line of "Affiliates."

5. On August 30, 2023, the Company filed objections to Data Request No. 13 in these dockets. Specifically, the Company objected to each of the six items in the data request: 13-1, 13-2, 13-3, 13-4, 13-5, and 13-6. (Exhibit A)

6. In response to each of the items, Red Bird asserts that the information sought is “overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in these dockets, nor reasonably calculated to lead to the discovery of admissible evidence.” Red Bird also objects to each item “on the basis that it is vague, ambiguous, and indefinite, and calls for speculation.”

7. According to the Explanation of Corporate Structure filed by Red Bird on August 2, 2022, (Exhibit B) in these dockets, “[i]n North Carolina, Red Bird Utility Operating Company, LLC, holds (or will hold) all acquired utility assets and will operate as a regulated utility. Red Bird Utility Holding Company, LLC, the intermediate holding company, is the sole member of Red Bird Utility Operating Company, LLC and North Carolina Central States Water Resources, LLC, the state holding company, is the sole member of Red Bird Utility Holding Company, LLC. . . . CSWR, LLC (“CSWR”) is the sole member of North Carolina Central States Water Resources.” The document further indicates that CSWR was acquired by U.S. Water Systems, LLC (US Water), in late 2018. (CSWR/Central States Water Resources Corporate Entity Organizational Chart filed on August 2, 2022, attached as Exhibit C).

8. The website of Scienswater (Sciens), <https://scienswater.com/>, indicates that it is “a fundamental research-driven investor that identifies pockets of opportunity in the water sector that benefit from long-term macro factors but are uncovered, under-researched and misunderstood, and consequently under-capitalized by the capital markets. Sciens makes control investments in the U.S.

water infrastructure and related companies where it can generate both yield and capital appreciation through application of value-added strategies, developed through over 25 years of private equity investment experience.” (Webpage accessed August 31, 2023, and attached as Exhibit D). Under the “Our Portfolio” tab, Central States Water Resources is the first entity listed as part of Sciens’s portfolio. (Exhibit E) Further, three members of Sciens’s Investment Opportunity Fund Investment Team as listed on its website and in Exhibit D, John Rigas, Daniel Standen, and Tom Rooney are also three of the four members of CSWR’s Board of Directors, as listed on the attached Registration Report from the Missouri Secretary of State dated April 18, 2023. (Exhibit F) Further, the fourth member of CSWR’s board is Josiah Cox. Mr. Cox is President of three Red Bird affiliates: Red Bird Utility Operating Company, LLC; Central States Water Resources, Inc. and CSWR, LLC. (See Testimony of Josiah Cox, lines 6-8, filed in these dockets on August 30, 2023).

9. On the September 8, 2021 episode of the podcast “(Don’t) Waste Water”<sup>1</sup> at approximately 20:30, Sciens partner, Alexander Loucopoulos, said regarding Sciens’s relationship with CSWR, “we own the company and we drive the strategy . . . we’re controlling and building a business . . . .”

10. Data Request No. 13 seeks information regarding affiliates of Red Bird and this information is critical for the Public Staff to gain an understanding of the corporate structure of Red Bird, parent companies, and other affiliates in order

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<sup>1</sup> <https://dww.show/the-3-painful-challenges-the-us-water-sector-desperately-needs-to-overcome/> (Podcast episode accessed September 1, 2023).

to determine the financial viability of Red Bird. Knowledge of the affiliates and corporate structure will allow the Public Staff to target and narrow future data requests so that they seek the appropriate information and allow the Public Staff to determine its position on Red Bird's application in the most efficient manner.

11. For instance, in Redacted Attachment K.1 – Financials filed on January 24, 2022 (Exhibit G), the cash flow assumptions on page four indicate that “Funds Provided by Owner change year-over-year to bring the Cash Balance at End of Year from a negative dollar amount to \$0.” The projections for the first year estimate an operating loss of \$166,612, while the following four years project a positive net income. According to the Statement of Cash Flows, Red Bird expects the following cash flows from financing activities in Year One of the 5-year period captured in Exhibit G: \$534,972 of proceeds from long-term debt; \$534,972 of proceeds from equity; and \$118,465 of funds provided by owner. It will be necessary to understand who the “owner” referenced is, how that “owner” is funded, and other financial arrangements between the “owner” and other affiliates.

12. Public Staff Data Request No. 13 is partially a follow-up to Public Staff Data Request No. 10, where Red Bird indicated that it had no information about the ownership of US Water, the sole owner of CSWR, LLC; whether US Water owns other entities; or whether US Water has affiliates. Red Bird further stated that it did not have access to US Water's financial statements or tax returns. (See Responses to Items 1 - 5 of PSDR 10, attached as Exhibit H).

13. In assessing the financial viability of Red Bird, the Public Staff is seeking information regarding the upstream ownership of Red Bird and the funding commitments and arrangements between US Water; CSWR, LLC; and/or Sciens (or any of the entities listed as part of Sciens's portfolio on Sciens's website, including, but not limited to, Integrated Water Services, Inc.; CROM, LLC; Sciens Water Finance Corporation; and/or Sciens Water Digital Holdings (collectively, the Sciens Portfolio entities)).

14. CSWR's response to Item 1(a) indicating that it has no legal, financial, or operating relationships or affiliations with Sciens frankly strains credulity given that Sciens's website lists CSWR as part of its portfolio and that one of its partners publicly stated that Sciens owns and controls CSWR. CSWR either knows or should know information regarding its relationships and affiliations with Sciens or other Sciens Portfolio entities.

15. Public Staff Data Request No. 13 seeks information necessary to identify which Sciens Portfolio entities, if any, are affiliates or vendors of Red Bird. Moreover, it is vital that the Commission and the Public Staff have information regarding the existence of transfers, sales, expense allocations, agreements, and similar arrangements between Red Bird and any direct or indirect affiliates, because transfers, sales, expense allocations, agreements, and similar arrangements may necessitate such things as regulatory conditions, reporting requirements, approval of agreements, and audits.

16. In Data Request No. 13, Item 6, the Public Staff requests copies of all discovery responses produced by any affiliate of Red Bird in a rate case filed in Missouri by a Red Bird affiliate, Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers),<sup>2</sup> in Docket No. WR-2023-0006. In that matter, on August 10, 2023, the Missouri Public Service Commission ordered Confluence Rivers to produce Investment Memoranda prepared by CSWR and transmitted to US Water's Board of Directors for the purposes of requesting funding associated in total or in any part with Confluence Rivers or potential Missouri acquisitions over the past four and a half years (Exhibit I). Should these memoranda contain information regarding CSWR's request for funding for itself or its affiliates' North Carolina operations, the information would certainly be relevant in this matter. Should the memoranda only contain Missouri-specific information, the memoranda would still be reasonably calculated to lead to the discovery of admissible evidence pursuant to Rule 26 of the North Carolina Rules of Evidence because the Public Staff would be able to understand how financing is arranged between CSWR and its affiliates and tailor future data requests to seek similar information that is North Carolina-specific in a manner that is not overly broad or burdensome. Moreover, this request for information is not overly broad or burdensome in that it requests

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<sup>2</sup> Confluence Rivers Utility Operating Company, Inc and Red Bird are sibling subsidiaries owned by CSWR, LLC. CSWR, LLC is the upstream owner of Confluence Rivers Utility Operating Company, LLC through its ownership interests in Confluence Rivers Utility Holding Company, LLC, and Missouri Central States Water Resources, LLC. CSWR, LLC is the upstream owner of Red Bird through its ownership interests in Red Bird Utility Operating Company, LLC and North Carolina Central States Water Resources, LLC.

copies of information already gathered and provided by CSWR in the Missouri proceeding.

17. The Public Staff moves the Commission for an order compelling Red Bird to fully and promptly respond to each item of the Public Staff's Data Request No. 13 that is the subject of Red Bird's objections in this docket.

WHEREFORE, the Public Staff moves:

1. That the Commission direct Red Bird to fully and promptly respond to all portions of Public Staff Data Request No. 13 within a deadline the Commission deems reasonable.

2. For such other and further relief as the Commission may deem just and proper.

This the 1st day of September, 2023.

PUBLIC STAFF  
Christopher J. Ayers  
Executive Director

Lucy E. Edmondson  
Chief Counsel

Electronically submitted  
/s/ Megan Jost  
Megan Jost  
Staff Attorney

4326 Mail Service Center  
Raleigh, North Carolina 27699-4300  
Telephone: (919) 733-6110  
Email: [megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)



CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Motion to Compel on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 1st day of September, 2023.

Electronically submitted  
/s/ Megan Jost

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-1146, SUB 13  
DOCKET NO. W-1328, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application by Red Bird Utility Operating	)	
Company, LLC, 1650 Des Peres Road,	)	RED BIRD'S OBJECTIONS
Total Environmental Solutions, Inc., Post	)	AND RESPONSES TO PUBLIC STAFF'S
Office Box 14056, Baton Rouge, Louisiana	)	13 <sup>TH</sup> SET OF DATA REQUESTS
70898, for Authority to Transfer the Lake	)	
Royale Subdivision Water and Wastewater	)	
Utility Systems and Public Utility Franchise	)	
in Franklin and Nash Counties, North Carolina,	)	
and for Approval of Rates	)	

NOW COMES Red Bird Utility Operating Company, LLC ("Red Bird"), pursuant to the Order Scheduling Hearings, Establish Discovery Guidelines, And Requiring Notice issued July 11, 2023 in these dockets ("Scheduling Order"), and objects to certain items included in Public Staff's 13<sup>th</sup> set of data requests in these dockets, on the grounds set forth below.

Request 1: Scienswater

- a. Please describe any and all past or present legal, financial, or operating relationships, affiliation, or similar arrangement between US Water Systems, LLC; CSWR, LLC; and/or Scienswater (or any of the entities listed as part of Scienswater's portfolio on Scienswater's website,<sup>1</sup> including, but not limited to, Integrated Water Services, Inc.; CROM, LLC; Sciens Water Finance Corporation; and/or Sciens Water Digital Holdings (collectively, the Scienswater Portfolio entities)).
- b. Please describe any and all anticipated future involvement, affiliation, relationship, or similar arrangement between the entities listed in 1.a.

**Objections and Response: Red Bird objects to this Request on the basis that it seeks information that is overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in these dockets, nor reasonably calculated to lead to the discovery**

<sup>1</sup> <https://scienswater.com/our-portfolio/>

of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite, and calls for speculation.

Subject to those objections and without waiving same, Red Bird responds as follows:

- a. US Water Systems, LLC, is the sole owner/member of CSWR, LLC, and as such provides equity capital to CSWR, LLC, which it uses to make equity investments in its affiliated utility operating companies, including Red Bird. CSWR, LLC has no legal, financial, or operating relationships or affiliations with Sciens Water or any of the other entities listed on Sciens Water's website.
- b. Other than its current relationship and involvement with US Water, LLC, CSWR, LLC has no information regarding any planned future legal, financial, or operational involvement, affiliation, or relationship with Sciens Water or any of the other entities listed on Sciens Water's website.

Request 2: Midwest Water Operations, LLC

- a. Please describe any and all past or present legal, financial, or operating relationships, affiliation, or similar arrangement between US Water Systems, LLC; CSWR, LLC; Scienswater; and/or Midwest Water Operations, LLC.
- b. Please describe any and all anticipated future involvement, affiliation, relationship, or similar arrangement between any of the entities listed in 2.a.

**Objections and Response:** Red Bird objects to this Request on the basis that it seeks information that is overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in these dockets, nor reasonably calculated to lead to the discovery of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite, and calls for speculation.

Subject to those objections and without waiving same, Red Bird responds as follows:

- a. CSWR, LLC's past and current relationships with Midwest Water Operations, LLC, have been solely of a vendor/customer nature. CSWR, LLC has no information regarding past or present legal, financial, or operating relationships, if any, between Midwest Water Operations, LLC, and either US Water Systems, LLC or Sciens Water.
- b. CSWR, LLC anticipates any future relationships it may have with Midwest Water Operations LLC would be of a similar vendor/customer nature. CSWR, LLC has no information regarding possible future relationships between Midwest Water Operations, LLC and either US Water, LLC or Sciens Water.

Request 3: ClearWater Solutions, LLC

- a. Please describe any and all past or present legal, financial, or operating relationships, affiliation, or similar arrangement between US Water Systems, LLC; CSWR, LLC; Scienswater; and/or ClearWater Solutions, LLC.
- b. Please describe any anticipated future involvement, affiliation, relationship, or similar arrangement between any of the entities listed in 3.a.

**Objections and Response:** Red Bird objects to this Request on the basis it seeks information that is overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in this Docket, nor reasonably calculated to lead to the discovery of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite, and calls for speculation.

**Subject to those objections and without waiving same, Red Bird responds as follows:**

- a. CSWR, LLC's past and current relationships with Clearwater Solutions, LLC have been solely of a vendor/customer nature. CSWR, LLC has no information regarding past or present legal, financial, or operating relationships, if any, between Clearwater Solutions, LLC, and either US Water Systems, LLC, or Sciens Water.
- b. CSWR, LLC anticipates any future relationships it may have with Clearwater Solutions, LLC would be of a similar vendor/customer nature. CSWR, LLC has no information regarding possible future relationships between Clearwater Solutions, LLC and either US Water, LLC, or Sciens Water.

Request 4: Goods and Services between Affiliates

- a. Are any of the entities listed in response to questions 2 and 3 above providing goods or services to North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and/or Red Bird Utility Operating Company, LLC?
- b. If the answer to 4.a. is "yes," please describe, in detail, the nature of those goods and services.
- c. Please provide copies of any contracts, agreements, or similar documents related to the goods and services discussed in the response to 4.b.

**Objection and Response:** Red Bird objects to this Request on the basis that it seeks information that is overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in these dockets, nor reasonably calculated to lead to the discovery of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite.

**Subject to those objections and without waiving same, Red Bird responds as follows:**

- a. Clearwater Solutions, LLC, as successor in interest to Midwest Water Operations, LLC, currently provides operations and maintenance service on a contract basis to

**Red Bird Utility Operating Company, LLC. Neither Clearwater Solutions, LLC nor Midwest Water Operations provides any services to North Carolina CSWR, LLC or Red Bird Utility Holding Company, LLC.**

- b. See response to DR 13.4(a) above.**
- c. A copy of the contract between Clearwater Solutions, LLC, and Red Bird Utility Operating Company, LLC, will be provided to Public Staff when his response is served.**

**Request 5: Goods and Services between Other Entities of Interest**

- a. Scienswater**
  - i. Do Scienswater or any of the Scienswater Portfolio entities provide goods or services to North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and/or Red Bird Utility Operating Company, LLC, directly or indirectly?**
  - ii. If the answer to 5.a.i. is “yes,” please describe, in detail, the nature of those goods and services.**
  - iii. Please provide copies of any contracts, agreements, or similar documents related to the goods and services discussed in the response to 5.a.ii.**

**Objections and Response: Red Bird objects to this Request on the basis that it seeks information that is overbroad, unduly burdensome, and neither relevant to any issues that are or may be involved in these dockets, nor reasonably calculated to lead to the discovery of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite.**

**Subject to those objections and without waiving same, Red Bird responds as follows:**

- i. No.**
- ii. See response to DR 13.5(a)(i).**
- iii. See response to DR 13.5(a)(i).**

**Request 6: Please provide copies of all discovery responses provided in File No. WR-2023-0006 (In the Matter of Confluence Rivers Utility Operating Company, Inc.’s Request for Authority to Implement a General Rate Increase for Water Service and Sewer Service Provided in Missouri Service Areas) by any Affiliate of Red Bird listed on the CSWR/Central States Water Resources Corporate Entity Organizational Chart provided with this data request.**

**Objections: Red Bird objects to this Request on the basis that the requested production of “all discovery responses” provided “by any Affiliate or Red Bird” in connection with a Missouri rate case is overbroad, unduly burdensome, and seeks documents that are neither relevant to any issues that are or may be involved in these dockets, and that this request is not reasonably calculated to lead to the discovery of admissible evidence. Red Bird also objects to the Request on the basis that it is vague, ambiguous, and indefinite.**

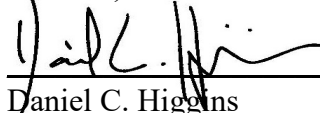
Red Bird also objects to this request on the grounds that under North Carolina Session Law 2023-67, entitled “An Act to Expedite Transfer of Water or Wastewater Public Utilities,” the issues presented in these dockets, which concern the proposed transfer of TESI’s utility assets and franchise to Red Bird, are limited to the following:

[Whether] the proposed grant or transfer, including adoption of existing or proposed rates for the transferring utility, is in the public interest, will not adversely affect service to the public under any existing franchise, and the person acquiring said franchise or certificate of public convenience and necessity has the technical, managerial, and financial capabilities necessary to provide public utility service to the public.

The request for production of discovery responses provided by a Red Bird affiliate in connection with a rate case before the Missouri Public Service Commission seeks materials that are neither relevant to any issues involved in these dockets, nor is the request reasonably calculated to lead to the discovery of admissible evidence.

Respectfully submitted, this the 30<sup>th</sup> day of August, 2023.

BURNS, DAY & PRESNELL, P.A.



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Daniel C. Higgins

P.O. Box 10867

Raleigh, North Carolina 27605

Telephone: (919)782-1441

[E-mail: dhiggins@bdppa.com](mailto:dhiggins@bdppa.com)

Attorneys for Red Bird

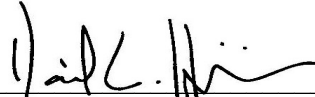
**CERTIFICATE OF SERVICE**

I certify that I have served a true and exact copy of the foregoing document on all parties to these dockets in accordance with Commission Rule R1-39, by United States mail, first class postage prepaid; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 30<sup>th</sup> day of August, 2023.

BURNS, DAY & PRESNELL, P.A.

By: \_\_\_\_\_



Daniel C. Higgins

P.O. Box 10867

Raleigh, North Carolina 27605





## Explanation of Corporate Structure

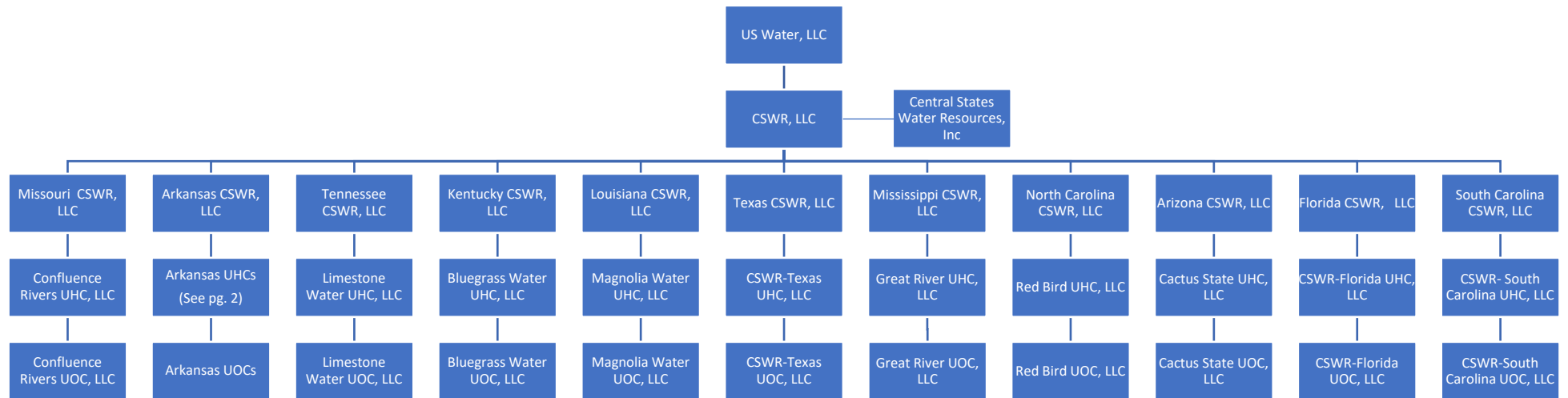
The entity/corporate structure in place in North Carolina for Red Bird Utility Operating Company, LLC's affiliate group – consisting of the utility operating company, an intermediate holding company, and a state holding company – is a legacy structure that predates the acquisition of CSWR, LLC, by U.S. Water Systems, LLC, in late 2018. Prior to that acquisition, affiliates operating in Missouri and Arkansas – which were the affiliated group's only operations at that time – utilized an identical three-tiered structure. After U.S. Water System's acquisition, the legacy structure was replicated in each new state the affiliate group entered.

In North Carolina, Red Bird Utility Operating Company, LLC, holds (or will hold) all acquired utility assets and will operate as a regulated utility. Red Bird Utility Holding Company, LLC, the intermediate holding company, is the sole member of Red Bird Utility Operating Company, LLC and North Carolina Central States Water Resources, LLC, the state holding company, is the sole member of Red Bird Utility Holding Company, LLC. Neither the intermediate or state holding companies have assets or employees, so their existence adds no operating or administrative costs to the utility operating company.

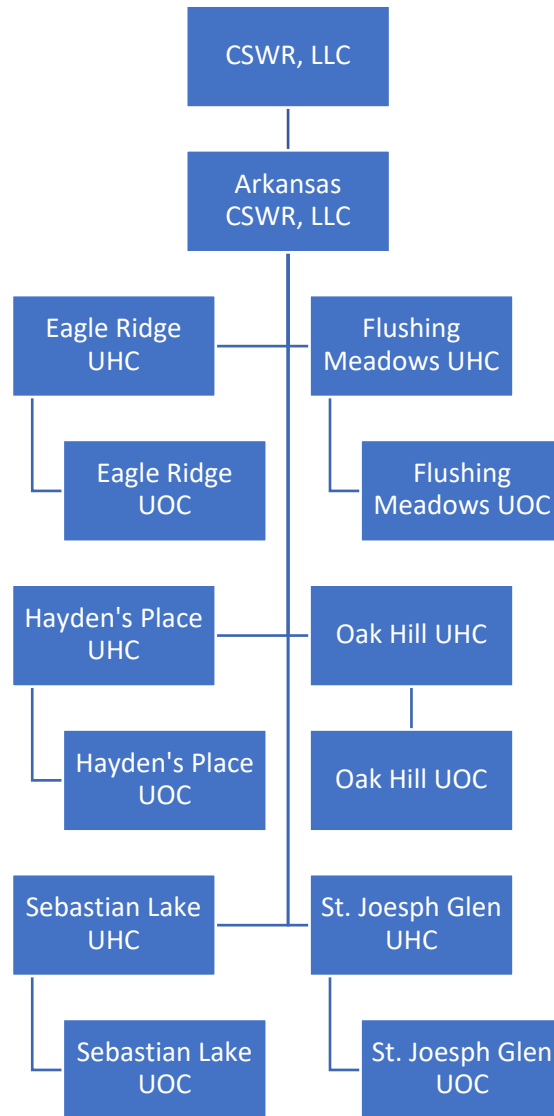
CSWR, LLC ("CSWR") is the sole member of North Carolina Central States Water Resources. CSWR employs all administrative, professional, and other personnel providing affiliated services to Red Bird Utility Operating Company, LLC and all its various state utility operating company affiliates. Costs incurred by CSWR are either direct charged to an affiliate or are allocated using the Massachusetts allocation methodology. CSWR also provides its utility operating affiliates equity capital necessary to make acquisitions and to fund required capital improvements, and provides working capital to fund day-to-day operations until compensatory rates can be established.

Central States Water Resources, Inc., is the designated manager of all affiliated limited liability companies both inside and outside North Carolina, and exists solely for that purpose. Central States Water Resources, Inc. has no assets or paid employees, and performs its managerial responsibilities using CSWR personnel.



CSWR/Central States Water Resources Corporate Entity Organizational Chart

## Arkansas CSWR Organizational Chart Detail





# About Us - sciens water

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 [scienswater.com/about-us](https://scienswater.com/about-us)

April 18, 2020

## Sciens Water Opportunities Fund

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Sciens Water was conceived in 2015 and the Sciens Water Opportunities Fund launched in 2018 to make control investments in private companies that address the big problems facing U.S. water infrastructure today, with a focus on utilities, transmission and distribution, and wastewater treatment and recycling.

Sciens Water looks for opportunities where it can apply value-added strategies to help water and wastewater businesses grow into leading national platforms, while generating both current income and capital appreciation for its investors.

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Sciens Water Opportunity Fund Investment Team

John Rigas

*Chairman & Chief Executive Officer*

Daniel Standen

*Partner*

Alex Loucopoulos

*Partner*

Heramb Ramachandran

*Chief Financial Officer*

Henry Cordes

*Principal / Director of Sustainability*

Tom Rooney

*Chairman, Operating Committee*

Tom Iovino

*Chairman of the Advisory Board*

Seth Siegel

*Advisory Board Member*

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Our Partners

**MITWATER**



## **MIT Water**

MIT Water is the premier network for water research and innovation at MIT. Our mission is to bring together creative, passionate, and motivated individuals to explore ways by which research, innovation, and policy can help solve the most pressing challenges in the water sector.

[\[Learn More\]](#)

# Columbia Water Center



## **COLUMBIA WATER CENTER**

Founded in January 2008, the Columbia Water Center is committed to understanding and addressing both the role and scarcity of fresh water in the 21st century. The Water Center was established for the purpose of studying the diminishing levels of fresh water and creating innovative sustainable and global solutions.

[\[Learn More\]](#)



## **MISSISSIPPI RIVER CITIES & TOWNS INITIATIVE**

Since 2012, the Mississippi River Cities and Towns Initiative has been promoting economic and environmental security and stability along the Mississippi River Corridor. There are 124 Mississippi River main stem cities and towns. These riparian population centers are soundly



River-centric. MRCTI gives a common voice to those who depend most upon the River, and by virtue of doing so, spans political and economic interests.

Sciens Water is honored to serve as an Advisory Board Member to the Mississippi River Cities and Towns Initiative

[\[Learn More\]](#)



### **Blue Tech Research**

BlueTech Research is a global provider of water technology market intelligence, founded in 2011. Through our global team, as well as our presence at conferences and meetings worldwide, we are in constant touch with innovators in the water industry, large and small.

[\[Learn More\]](#)



## Our portfolio - sciens water

[sw scienswater.com/our-portfolio](https://scienswater.com/our-portfolio)

July 13, 2020



### CSWR

Central States Water Resources is a water and wastewater utility, headquartered in St. Louis, MO, that specializes in acquiring small, non-compliant systems and refurbishing them to meet local environmental and regulatory requirements.

[\[Learn More\]](#)



### IWS

Integrated Water Services, Inc. is a turn-key, decentralized water and wastewater treatment solutions provider with expertise in advanced treatment and reuse technologies. The company is headquartered in Longmont, CO, and is active across the western U.S.

[\[Learn More\]](#)



## CROM

CROM, LLC specializes in the design and construction of prestressed concrete storage tanks and restoration of essential aging infrastructure throughout the municipal water/wastewater and industrial sectors. The company is headquartered in Gainesville, FL with four regional offices and has been trusted as an experienced and reliable resource since its founding in 1953.

[\[Learn More\]](#)



## SWFC

Sciens Water Management has formed Sciens Water Finance Corporation (“SWFC”). SWFC provides debt and other alternative financing solutions to water-related hard asset projects originated by the SWOF portfolio companies and third-parties.



## SWDH

Sciens Water Digital Holdings (SWDH) was launched by Sciens to support the digital transformation of the U.S. water sector.



# John R. Ashcroft Secretary of State

## 2023 ANNUAL REGISTRATION REPORT

BUSINESS

**01372666**  
**Date Filed: 4/18/2023**  
**John R. Ashcroft**  
**Missouri Secretary of State**

OFFICIAL COPY

Sep 01 2023

**\* SECTION 1, 3 & 4 ARE REQUIRED**

REPORT DUE BY: <u>4/30/2023</u>
---------------------------------

**01372666**

Central States Water Resources, Inc.  
 C T CORPORATION SYSTEM  
 120 S CENTRAL AVE  
 SAINT LOUIS MO 63105

1	RENEWAL MONTH: <b>JANUARY</b>	
	<input type="checkbox"/> I OPT TO CHANGE THE CORPORATION'S RENEWAL MONTH TO FOR A \$25.00 FEE	
	PRINCIPAL PLACE OF BUSINESS OR CORPORATE HEADQUARTERS: *	
	1630 Des Peres Rd (Required)	
	Suite 140	
	STREET	
	Saint Louis MO	63131-1504
	CITY / STATE ZIP	

2	If changing the registered agent and/or registered office address, please check the appropriate box(es) and fill in the necessary information.	
	<input type="checkbox"/> The new registered agent	
	IF CHANGING THE REGISTERED AGENT, AN ORIGINAL WRITTEN CONSENT FROM THE NEW REGISTERED AGENT MUST BE ATTACHED AND FILED WITH THIS REGISTRATION REPORT.	
	<input type="checkbox"/> The new registered office address	
Must be a Missouri address, PO Box alone is not acceptable. This section is not applicable for Banks, Trusts and Foreign Insurance.		

	OFFICERS NAME AND PHYSICAL ADDRESS (P.O. BOX ALONE NOT ACCEPTABLE). <u>MUST LIST PRESIDENT AND SECRETARY BELOW</u>	BOARD OF DIRECTORS NAME AND PHYSICAL ADDRESS (P.O. BOX ALONE NOT ACCEPTABLE). <u>MUST LIST AT LEAST ONE DIRECTOR BELOW</u>
3	<b><u>PRESIDENT</u></b> Cox, Josiah M	<b><u>NAME</u></b> Cox, Josiah M
	STREET 1630 Des Peres Rd	STREET 1630 Des Peres Rd
	CITY/STATE/ZIP Suite 140	STREET Suite 140
		CITY/STATE/ZIP Saint Louis MO 63131-1504 USA
	<b><u>SECRETARY</u></b> Thomas, F. Todd	<b><u>NAME</u></b> Standen, Daniel J.
	STREET 1630 Des Peres Rd	STREET 667 Madison Ave
	CITY/STATE/ZIP Suite 140	STREET FL 3
		CITY/STATE/ZIP New York NY 10065 USA
	<b><u>TREASURER</u></b> Moore, Martin W.	<b><u>NAME</u></b> Rooney, Tom
	STREET 1630 Des Peres Rd	STREET 667 Madison Ave.
	STREET FL 3	
	CITY/STATE/ZIP New York NY 10065 USA	
	<b><u>NAME</u></b> Rigas, John	
	STREET 1135 Bowline Dr.	
	CITY/STATE/ZIP Vero Beach FL 32963 USA	

NAMES AND ADDRESSES OF ALL OTHER OFFICERS AND DIRECTORS ARE ATTACHED

4	The undersigned understands that false statements made in this report are punishable for the crime of making a false declaration under Section 575.060 RSMo. Photocopy or stamped signature not acceptable. *	
	Authorized party or officer sign here	Madison McIntosh (Required)
	Please print name and title of signer:	Madison McIntosh / Other
		NAME TITLE

REGISTRATION REPORT FEE IS: ___\$20.00 If filed on or before 4/30/2023 ___\$35.00 If filed on or before 5/31/2023 ___\$50.00 If filed on or before 6/30/2023 ___\$65.00 If filed on or before 7/31/2023 <b>ADD AN ADDITIONAL \$25.00 FEE IF CHANGING THE RENEWAL MONTH.</b>
--

**WHEN THIS FORM IS ACCEPTED BY THE SECRETARY OF STATE, BY LAW IT WILL BECOME A PUBLIC DOCUMENT AND ALL INFORMATION PROVIDED IS SUBJECT TO PUBLIC DISCLOSURE**

E-MAIL ADDRESS (OPTIONAL): jim@bl-stl.com

**REQUIRED INFORMATION MUST BE COMPLETE OR THE REGISTRATION REPORT WILL BE REJECTED**  
 RETURN COMPLETED REGISTRATION REPORT AND PAYMENT TO: Secretary of State, P.O. Box 778, Jefferson City, MO 65102



**Docket Nos.: W-1328, Sub 10 and W-1146, Sub 13**  
**Redacted Attachment K.1**

Addendum to Application for Transfer of Public Utility Franchise and for approval of rates

<b><u>Operating Budget</u></b>						
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<b><u>Operating revenue</u></b>						
Metered service revenue	\$ 1,054,452	\$ 1,542,836	\$ 1,640,513	\$ 1,640,513	\$ 1,640,513	
Flat rate service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	
EPA testing surcharge	\$ -	\$ -	\$ -	\$ -	\$ -	
Re-connect fees	\$ 22,199	\$ 32,481	\$ 34,537	\$ 34,537	\$ 34,537	
Returned check charge	\$ 11,099	\$ 16,240	\$ 17,269	\$ 17,269	\$ 17,269	
Late payment charge	\$ 22,199	\$ 32,481	\$ 34,537	\$ 34,537	\$ 34,537	
Other operating revenue	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total operating revenue</b>	<b>\$ 1,109,949</b>	<b>\$ 1,624,038</b>	<b>\$ 1,726,855</b>	<b>\$ 1,726,855</b>	<b>\$ 1,726,855</b>	
<b><u>Operating expenses</u></b>						
Total salaries and wages (employees only)	\$ -	\$ -	\$ -	\$ -	\$ -	
Outside labor expenses (non-employees)	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	
Administrative and office expense	\$ 97,650	\$ 97,650	\$ 97,650	\$ 97,650	\$ 97,650	
Maintenance and repair expense	\$ 46,872	\$ 46,872	\$ 46,872	\$ 46,872	\$ 46,872	
Purchased water	\$ 633,519	\$ 633,519	\$ 633,519	\$ 633,519	\$ 633,519	
Purchased sewage treatment	\$ -	\$ -	\$ -	\$ -	\$ -	
Electric power expense (exclude office)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	
Chemicals expense	\$ 1,656	\$ 1,656	\$ 1,656	\$ 1,656	\$ 1,656	
Testing fees	\$ 5,859	\$ 5,859	\$ 5,859	\$ 5,859	\$ 5,859	
Transportation expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Other operating expense	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total operation and maintenance expenses</b>	<b>\$ 1,145,556</b>	<b>\$ 1,145,556</b>	<b>\$ 1,145,556</b>	<b>\$ 1,145,556</b>	<b>\$ 1,145,556</b>	
Annual depreciation expense	\$ 48,147	\$ 48,890	\$ 52,602	\$ 52,602	\$ 52,602	
Property taxes paid on utility property	\$ 11,456	\$ 11,456	\$ 11,456	\$ 11,456	\$ 11,456	
Payroll taxes	\$ -	\$ -	\$ -	\$ -	\$ -	
Franchise (gross receipts) tax	\$ 11,456	\$ 11,456	\$ 11,456	\$ 11,456	\$ 11,456	
Annual NCUC regulatory fee	\$ 11,799	\$ 11,799	\$ 11,799	\$ 11,799	\$ 11,799	
<b>Total operating expenses</b>	<b>\$ 1,228,414</b>	<b>\$ 1,229,156</b>	<b>\$ 1,232,868</b>	<b>\$ 1,232,868</b>	<b>\$ 1,232,868</b>	
<b><u>Income Taxes</u></b>						
State income taxes	\$ -	\$ 9,872	\$ 12,350	\$ 12,350	\$ 12,350	
Federal income taxes	\$ -	\$ 82,925	\$ 103,737	\$ 103,737	\$ 103,737	
Total income taxes	\$ -	\$ 92,797	\$ 116,087	\$ 116,087	\$ 116,087	
Net operating income (loss)	\$ (118,465)	\$ 302,084	\$ 377,900	\$ 377,900	\$ 377,900	
Interest expense	\$ 48,147	\$ 48,890	\$ 52,602	\$ 52,602	\$ 52,602	
<b>Net income (loss)</b>	<b>\$ (166,612)</b>	<b>\$ 253,194</b>	<b>\$ 325,298</b>	<b>\$ 325,298</b>	<b>\$ 325,298</b>	

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**STATEMENT OF CASH FLOWS**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>PRE-TAX OPERATING INCOME (LOSS)</b>					
Total Operating Revenue	\$ 1,109,949	\$ 1,624,038	\$ 1,726,855	\$ 1,726,855	\$ 1,726,855
Operation and Maintenance Expenses	\$ 1,145,556	\$ 1,145,556	\$ 1,145,556	\$ 1,145,556	\$ 1,145,556
Taxes Other than Income	\$ 34,710	\$ 34,710	\$ 34,710	\$ 34,710	\$ 34,710
<b>Pre-Tax Operating Income (Loss)</b>	<b>\$ (70,317)</b>	<b>\$ 443,771</b>	<b>\$ 546,589</b>	<b>\$ 546,589</b>	<b>\$ 546,589</b>
<b>INCOME TAX CALCULATION</b>					
Pre-Tax Operating Income (Loss)	\$ (70,317)	\$ 443,771	\$ 546,589	\$ 546,589	\$ 546,589
CIAC					
Tax Depreciation	\$ 48,147	\$ 48,890	\$ 52,602	\$ 52,602	\$ 52,602
Interest Expense	\$ 48,147	\$ 48,890	\$ 52,602	\$ 52,602	\$ 52,602
Taxable Income (Loss)	\$ (166,612)	\$ 345,992	\$ 441,385	\$ 441,385	\$ 441,385
State Income Tax	\$ -	\$ 9,872	\$ 12,350	\$ 12,350	\$ 12,350
Federal Income Tax	\$ -	\$ 82,925	\$ 103,737	\$ 103,737	\$ 103,737
Total Income Taxes to be Paid	\$ -	\$ 92,797	\$ 116,087	\$ 116,087	\$ 116,087
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (70,317)</b>	<b>\$ 350,974</b>	<b>\$ 430,502</b>	<b>\$ 430,502</b>	<b>\$ 430,502</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Utility Plant	\$ 962,950	\$ 89,087	\$ -	\$ -	\$ -
Cash Bonds Posted	\$ 106,994	\$ 9,899	\$ -	\$ -	\$ -
CIAC					
Proceeds from Disposal of Utility Plant					
<b>Net Cash Used by Investing Activities</b>	<b>\$ 1,069,944</b>	<b>\$ 98,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Short Term Debt					
Principal Repayment of Short Term Debt					
Proceeds from Long Term Debt	\$ 534,972	\$ 49,493	\$ -	\$ -	\$ -
Principal Repayment of Long Term Debt					
Interest Payment for Debt	\$ (48,147)	\$ (48,890)	\$ (52,602)	\$ (52,602)	\$ (52,602)
Proceeds from Equity	\$ 534,972	\$ 49,493	\$ -	\$ -	\$ -
Dividends Paid					
Funds Provided by Owner	\$ 118,465				
<b>Net Cash Provided by Financing Activities</b>	<b>\$ 1,140,262</b>	<b>\$ 50,096</b>	<b>\$ (52,602)</b>	<b>\$ (52,602)</b>	<b>\$ (52,602)</b>
<b>Net Increase (Decrease in Cash)</b>	<b>\$ 0</b>	<b>\$ 302,084</b>	<b>\$ 377,900</b>	<b>\$ 377,900</b>	<b>\$ 377,900</b>
<b>Cash Balance at Beginning of Year</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 302,085</b>	<b>\$ 679,985</b>	<b>\$ 1,057,885</b>
<b>Cash Balance at End of Year</b>	<b>\$ 0</b>	<b>\$ 302,085</b>	<b>\$ 679,985</b>	<b>\$ 1,057,885</b>	<b>\$ 1,435,785</b>

**Projected Income Statement Assumptions**

- Pre-rate increase revenues are based on multiplying the rates found in a system's most recent tariff and adding in a usage charge assuming 3,000-gallon usage per household per month.
- Flat Rate and Metered service revenues are expected to be 95% of total revenues with an allocation between the two derived from the allocation found in the most recent annual report.
- Reconnect fees are assumed to be 2% of revenues.
- Returned Check Charges are assumed to be 1% of revenues.
- Late Payment Charges are assumed to be 2% of revenues.
- Property Taxes are assumed to be 1% of total expenses.
- Franchise Tax are assumed to be 1% of total expenses.
- Annual NCUC Regulatory Fees are assumed to be 1% of total expenses.
- A water rate increase to \$73.44 and a sewer rate increase to \$92.46 is assumed to take place approximately 14 months post-acquisition. The Company is aware that any future increases in rates for the system at issue must be vetted and approved by the North Carolina Utilities Commission, which, after considering all relevant factors, is required by law to set rates that are fair and reasonable and consistent with applicable legal standards.
- Assumptions for O&M expense, chemicals, repairs, power, and purchased water/wastewater were made on a per system basis depending on specific plant specifications and geographic location.
- The following assumptions were made on an annual per connection basis:
  - Maintenance Expense - \$2 per connection
  - Testing Fees - \$.25 per connection
  - Administrative Expense - \$50 per connection
- The following assumptions were made regarding tax rates:
  - State Tax Rate – 2.5%
  - Federal Tax Rate - 21%

**Cash Flow Assumptions**

- The cash flow values are derived from balance sheet and income statement information.
- The cash flow projections utilize a hypothetical capital structure of 50% debt and 50% equity.
- The hypothetical debt assumes a term length of 240 months.
- The hypothetical debt assumes an interest rate of 9%.
- Depreciation expense assumes an average depreciation rate of 4.5%.
- Funds Provided by Owner change year-over-year to bring the Cash Balance at End of Year from a negative dollar amount to \$0.
- The Purchase of Utility Plant values found in Year 1 and Year 2 were created using the following assumptions:
  - Purchase Price - \$ [REDACTED]
  - Legal & Engineering Due Diligence Estimates - \$ [REDACTED]
  - Capital Estimates - \$ [REDACTED]
  - 5/6 of the total funds from the estimates above will be utilized in Year 1 and 1/6 of the funds will be utilized in the beginning months of Year 2



**Red Bird Utility Operating Company, LLC  
Docket No. W-1328, Sub 10  
Total Environmental Solutions, Inc.  
Docket No. W-1146, Sub 13  
Response to Public Staff Data Request No. 10  
Date Sent: June 20, 2023  
Date Requested: June 30, 2023**

**Public Staff Legal Contacts:**

**Reita Coxton**  
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**Subject of Data Request: Corporate Structure and Financial Information**

Please provide all responses to this request in searchable native electronic format (e.g., Excel, Word, or PDF files). If in Excel format, please include all working formulas. In addition, please include (1) the name and title of the individual who has the responsibility for the subject matter addressed therein, and (2) the identity of the person making the response by name, occupation, and job title. Please also refer to Public Staff Data Request 1 for instructions for responding to this and all other Data Requests served on the Company by the Public Staff in the above-captioned proceedings.

In addition, the following definitions apply to this data request:

**“Affiliate”** - a party (including an affiliate entity as defined below) that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity.

**“Affiliated Entity”** - an entity that directly or indirectly controls, is controlled by, or is under common control with another entity; also, a party with which the entity may deal if one party has the ability to exercise significant influence over the other’s operating and financial policies.

**“Control”** - Control exists if one or more of the following are present:

- (a) The possession, direct or indirect, of the power to direct or cause the direction of management and policies of an entity through ownership, by contract, or otherwise.
- (b) The direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise.
- (c) Ownership of a majority interest, directly or indirectly.

**“Financial Statements” - Consolidated and consolidating Income Statements, Balance Sheets, and Statements of Cash Flows.**

1. Ownership
  - a. Please list all owners of CSWR, LLC.
  - b. Please state how much of CSWR, LLC each of the owners identified in response to the preceding question owns.
  - c. Please list all owners of US Water Systems, LLC.
  - d. Please state how much of US Water Systems, LLC each of the owners identified in response to the preceding question owns.

**RESPONSE:**

- a. **US Water, LLC, is the sole member of CSWR, LLC.**
- b. **As the sole member, US Water owns 100% of CSWR, LLC.**
- c. **Red Bird has no information regarding the ownership of US Water, LLC.**
- d. **See response to part c. above.**

2. Other Entities in the Organizational Umbrella
  - a. Please list all entities owned by CSWR, LLC regardless of the size of CSWR, LLC's ownership interest.
  - b. Please list all entities owned by US Water Systems, LLC regardless of the size of US Water Systems, LLC's ownership interest.

**RESPONSE: Please see the attached Organizational Chart for all entities owned by CSWR, LLC. Although Red Bird is aware of its ownership of CSWR, LLC, and all downstream affiliates, Red Bird does not know what other entities may be owned by US Water Systems, LLC.**

3. Other Related Parties
  - a. Please list all entities that fall within the definition of affiliate established in this data request for CSWR, LLC.
  - b. Please list all entities that fall within the definition of affiliate established in this data request for US Water Systems, LLC.

**RESPONSE: Please see the Organizational Chart provided in response to DR 2 for all CSWR, LLC affiliated entities. Beyond the entities listed, Red Bird does not know what other entities may be considered affiliates, as that term is defined for purposes of these data requests, of US Water Systems, LLC.**

4. Financial Statements
  - a. Please provide the audited financial statements with notes for US Water Systems, LLC for 2020, 2021, and 2022.
  - b. If any of the financial statements requested in 4.a. are not readily available, please explain why and provide the date on which the statements will be available.

**RESPONSE:** Red Bird objects to this request because it seeks production of materials that are neither relevant to any issue presented in this docket nor reasonably calculated to lead to the discovery of admissible evidence. Red Bird is the utility responsible for the water and wastewater systems at issue in this proceeding. Subject to and without waiving its objections, Red Bird does not have access to the financial statements of US Water Systems, LLC.

5. Income Tax Returns
  - a. Please provide federal and state income tax returns for CSWR, LLC for 2020, 2021, and 2022.
  - b. Please provide federal and state income tax returns for US Water Systems, LLC for 2020, 2021, and 2022.
  - c. If any of the income tax returns requested in 5.a. or 5.b. are not readily available, please explain why and provide the date on which the statements will be available.

**RESPONSE:** CSWR LLC is a limited liability company and a passthrough entity and does not file federal or state tax returns. As such, there are no tax returns to provide. As to the request for the tax returns of US Water Systems, LLC, Red Bird objects to this request because it seeks production of materials that are neither relevant to any issue presented in this docket nor reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving its objections, Red Bird does not have access to tax returns filed by US Water Systems, LLC.

6. Explanation of Corporate Structure filed in Docket Nos. W-1040, Sub 10 and W-1328, Sub 4
  - a. Please list, and provide illustrative examples of, the “costs” referenced in the following statement: “Costs incurred by CSWR are either direct charged to an affiliate or are allocated using the Massachusetts allocation method.”
  - b. Please explain, in detail, how the costs listed in response to 6.a. are determined.
  - c. Please explain the way in which “CSWR also provides its utility operating affiliates equity capital necessary to make acquisitions and to fund required capital improvements and provides working capital to fund day-to-day operations until compensatory rates can be established.”
  - d. Please provide an exhaustive list of the equity capital and working capital CSWR, LLC has provided to North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and Red Bird Utility Operating Company, LLC.
  - e. Does CSWR, LLC have any specific plans to provide equity capital or working capital to North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and Red Bird Utility Operating Company, LLC, within the next 180 days? If so, please describe those plans in detail.
  - f. Please explain, in detail, the terms of any equity capital or working capital

- CSWR, LLC has provided, or plans to provide, North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and Red Bird Utility Operating Company, LLC.
- g. Please list, in detail, any goods or services CSWR, LLC provides North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and Red Bird Utility Operating Company, LLC.
- h. Please explain, in detail, how the costs of the goods or services listed in response to 11.g. are determined.
- i. Please provide all contracts, if any, outlining the terms under which CSWR, LLC is providing the goods or services listed in response to 6.g.

**RESPONSE:**

**a. Please find the most recent cost allocation manual for CSWR, LLC included as an attachment. CSWR, LLC, is the entity that incurs corporate overhead and shared expense on behalf of its utility operating company affiliates, including Red Bird UOC. CSWR, LLC, uses a three-factor allocation methodology and the attached CAM describes in detail the procedures involved in making cost allocations.**

**b. Please see the attached Cost Allocation Manual.**

**c. Using equity capital provided by US Water Systems, LLC, CSWR, LLC, invests equity capital sufficient to acquire and improve water and wastewater systems purchased by Red Bird, fund system upgrades and improvements, and additional equity for use as working capital until compensatory rates can be established.**

**d. Red Bird objects to this request because it seeks production of information that is neither relevant to any issue presented in this docket nor reasonably calculated to lead to the discovery of admissible evidence. Subject to this objection, CSWR, LLC has provided approximately \$3.178mm to Red Bird Utility Operating Company for the following items:**

- Installation and Operation of a temporary wastewater treatment plant to replace the inoperable Ocean Terrace WWTP**
- Acquire and operate the Pine Knoll Townes service areas**
- Acquire and Operate the Bear Den Service Area**
- Perform Legal and Engineering Due Diligence for the various applications pending before the Commission**

**e. If Red Bird is granted acquisition approval to close on the assets related to any pending dockets, CSWR, LLC, will provide Red Bird UOC the equity capital necessary to close the acquisitions that are the subject of such dockets. Due to the Company's inability to predict when it may**



receive these approvals, the Company cannot provide detail as to the capital it expects to invest in Red Bird UOC within the next 180 days. No equity investments in North Carolina CSWR, LLC, or Red Bird Utility Holding Company, LLC, are anticipated within the next 180 days.

f. There are no terms subscribed to the equity capital or working capital provided by CSWR, LLC.

g. All managerial, technical and legal services for Red Bird are provided by CSWR, LLC. See the response to Data Request 1-14 for the methodology used to allocate costs to affiliates.

h. Please see the attached Cost Allocation Manual.

i. There are no written contracts outlining the terms and conditions under which CSWR, LLC, provides services to its affiliates.

7. Debt Instruments

- a. Are any of the following entities' assets pledged as collateral, directly or indirectly, under existing debt instruments: North Carolina CSWR, LLC; Red Bird Utility Holding Company, LLC; and Red Bird Utility Operating Company, LLC?
- b. If so, please provide a copy of the debt instrument(s).
- c. Are there any plans to pledge the assets of the entities listed in 7.a. above within the next three years?
- d. If so, please describe those plans.

**RESPONSE:**

- a. None of the referenced entities' assets are pledged as collateral under existing debt instruments.
- b. N/A
- c. CSWR, LLC's affiliates purchase and initially operate the water and wastewater systems they acquire using equity provided by CSWR, LLC. Since the system assets generally are in need of repair and have been ineffectively and/or improperly operated, the revenue is most often not sufficient to cover operating costs, resulting in a net loss and negative cash flow. This scenario makes it impossible for the utility to obtain debt financing in the short-term. Commercial lenders require positive cash flow that is at least minimally sufficient to cover interest and principal payments before they will issue loans. When, through a combination of operational efficiencies and rate adjustments, Red Bird can achieve sufficient positive cash flow, Red Bird will seek commercial debt which, in turn, may require Red Bird to seek Commission approval to pledge some assets to secure such debt.
- d. Please see the Company's response to subpart c above.



**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 10<sup>th</sup> day of  
August, 2023.

In the Matter of Confluence Rivers Utility )  
Operating Company, Inc.'s Request for )  
Authority to Implement a General Rate )  
Increase for Water Service and Sewer )  
Service Provided in Missouri Service )  
Areas )

**File No. WR-2023-0006**  
Tracking Nos. YW-2023-0113  
and YS-2023-0114

**ORDER REGARDING OPC'S MOTION TO COMPEL**

Issue Date: August 10, 2023

Effective Date: August 10, 2023

**Procedural History**

On July 31, 2023,<sup>1</sup> the Office of the Public Counsel (OPC) issued data request (DR) 3069, which requested copies of the quarterly Investment Memorandums that are prepared by "CSWR" and transmitted to US Water Systems LLC (US Water) for the purposes of requesting funding.<sup>2</sup>

On August 4, OPC filed its *Motion to Compel* (Motion) regarding DR 3069. The Commission subsequently sought further detail as to what corporate entity OPC intended, Central States Water Resources, Inc. (commonly abbreviated to "CSWR") or the corporate entity named with the acronym, CSWR, LLC. OPC responded that the

<sup>1</sup> All dates refer to 2023 unless otherwise indicated.

<sup>2</sup> DR 3069 reads in full: In response to Staff Data Request No. 231.1, Confluence provided Staff copies of CSWR presentations made to US Water Systems LLC's ("US Water") Board of Directors. These presentations indicate CSWR prepares and transmits quarterly Investment Memorandums to US Water for purposes of requesting funding. Please provide CSWR's Investment Memorandums for the period January 1, 2019 through June 30, 2023.

documents that reference the quarterly memoranda are titled with the name “Central States Water Resources” without either an Inc. or LLC designation.

OPC stated its belief that the document is referencing Central States Water Resources, Inc. (CSWR, Inc.); however, OPC stated its understanding that CSWR, Inc. does not have any employees. Thus, OPC suggested that the quarterly Investment Memorandums would have to be prepared by employees of CSWR, LLC, as it is the only Central States Water Resources entity to have employees.

Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers or “the Company”) is owned by Confluence Rivers UHC, LLC<sup>3</sup>, which is owned by Missouri CSWR, LLC, which is owned by CSWR, LLC, which is owned by US Water. CSWR, Inc. was the previous parent company until CSWR, LLC was purchased by US Water from CSWR, Inc. CSWR, Inc. now acts as the manager of CSWR, LLC and Confluence Rivers.

On August 9, the Company filed its response (Response). Confluence Rivers raised an objection as to relevance, argued that CSWR, LLC is not a party, and objected that DR 3069 is overly broad.

## **Discovery**

The Commission’s rules of procedure provide that discovery before the Commission may be obtained by the same means and under the same conditions as in civil actions in circuit court.<sup>4</sup> Particular to the Commission, parties may use DRs as a means of discovery.<sup>5</sup>

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<sup>3</sup> The Commission interprets UHC to mean Utility Holding Company, but allows that the organizational chart being referenced may include abbreviations.

<sup>4</sup> Commission Rule 20 CSR 4240-2.090(1).

<sup>5</sup> Commission Rule 20 CSR 4240-2.090(2).

Missouri Supreme Court Rule 56.01(b)(1), provides that parties may obtain discovery regarding any matter, not privileged, that is relevant to a pending action or reasonably calculated to lead to the discovery of admissible evidence. Missouri's courts have indicated that there are two aspects to relevance - logical relevance and legal relevance.<sup>6</sup> Logical relevance simply means that the questioned evidence tends to make the existence of a material fact more or less probable.<sup>7</sup> In determining legal relevance, the court, or administrative agency, must weigh "the probative value of the evidence against the dangers to the opposing party of unfair prejudice, confusion of the issues, undue delay, waste of time, cumulativeness, or violations of confidentiality. Evidence is legally relevant if its probative value outweighs its prejudicial effect."<sup>8</sup> Supreme Court Rule 56.01 also provides that the party seeking discovery has the burden of establishing relevance.

## Relevance

OPC's Motion stated that CSWR, LLC drafts and submits quarterly memorandums to US Water for purposes of requesting funding (i.e. financing) to capitalize its investments in CSWR's current systems and in its acquisitions of new systems.<sup>9</sup> OPC noted that cost of capital and capital structure are major drivers of Confluence's requested rate increase. Thus, OPC argues, CSWR's request for capital is directly relevant.

The Company's Response argued that the information presented by CSWR, LLC is not relevant as the Commission must decide just and reasonable rates, and any expectation of an individual investor has no import to the question of what rates the

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<sup>6</sup> *State v. Kennedy*, 107 SW 3d 306, 311 (Mo. App. W.D. 2003).

<sup>7</sup> *State v. Kennedy*, 107 SW 3d 306, 311 (Mo. App. W.D. 2003).

<sup>8</sup> *Jackson v. Mills*, 142 SW 3d 237, 240 (Mo. App. W.D. 2004).

<sup>9</sup> Motion, para. 16.

Commission should order. The Response did not address cost of capital or capital structure.

### **CSWR, LLC is not a party**

Confluence Rivers' Response argued that DR 3069 does not limit its request to presentations regarding Confluence Rivers, but included all presentations and memoranda created by CSWR, LLC, which Confluence Rivers argued is not regulated by the Commission. Confluence Rivers argued that the Commission has previously recognized that a holding company is a non-regulated entity, even when it owns an entity that is regulated. The Company asserted that CSWR, LLC is not a party and DRs are limited to parties. However, OPC's DR 3069 is not an inquiry to CSWR, LLC; rather, it is a request to Confluence Rivers.

OPC's Motion argued that the Commission previously stated that CSWR, Inc. appears to meet the definition of a water and sewer corporation. OPC's Motion connected CSWR, Inc. to CSWR, LLC because CSWR, LLC has employees and CSWR, Inc. does not.

### **Overly Broad**

The Response argued that DR 3069 is overly broad, as it is not limited to Investment Memoranda associated with Confluence Rivers or potential Missouri acquisitions. Thus, it necessarily requests information for separate corporate entities operating in states other than Missouri and for transactions having nothing to do with Missouri.

The Response also argued that DR 3069 is overly broad as it requests four and a half years of information, which necessarily involves dated information that is not relevant to a rate determination in this case.

## **Decision**

The Commission is expressly required by Section 393.140(12), RSMo, to examine the dealings of regulated entities with their unregulated counterparts to review if operations are kept substantially separate and apart. Further, costs incurred at the CSWR level may be allocated to the individual utility operating companies such as Confluence Rivers. Therefore, it is necessary to verify the legitimacy of the expenses and costs, including capital, which Confluence seeks to recover from ratepayers. Ultimately, in a general rate case the Commission inquires as to, and prescribes the apportionment of, capitalization, earnings, debts and expenses where necessary. Additionally, Section 393.270.4, RSMo, allows the Commission to inquire into any factor it deems relevant when determining a proper rate.

The President of Confluence Rivers, Josiah Cox, is also the President of CSWR, LLC and the President of CSWR, Inc. – each of which is an affiliate of Confluence Rivers.<sup>10</sup> Mr. Cox names CSWR, LLC as the managing affiliate for Confluence Rivers, and indicates that CSWR, LLC's corporate communications department is involved in boil advisory notifications for Confluence Rivers.<sup>11</sup> Confluence Rivers witness Todd Thomas described CSWR, LLC as a holding company that operated utility companies.<sup>12</sup> Mr. Thomas also described CSWR, LLC's role as having operational/managerial

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<sup>10</sup> Cox Direct, p. 1.

<sup>11</sup> Cox Rebuttal, p. 12.

<sup>12</sup> Thomas Direct, p. 1.

oversight over Confluence Rivers.<sup>13</sup> The above facts indicate a greater involvement in utility operations and management by CSWR, LLC than that of a typical holding company.

The Commission finds that the requested information is relevant as it involves funding requests for CSWR, LLC's current systems – which includes Confluence Rivers. As to Confluence Rivers' argument that CSWR, LLC is simply a holding company, the Commission distinguishes its prior decisions as those cases did not involve questions that the holding company and its individual officers were working for both or were managing or operating the regulated utility or providing regular financing to the regulated utility. This finding of relevance is consistent with the statutory requirements of Section 393.140(12) to examine the dealings of regulated entities with their unregulated counterparts to review if operations are kept substantially separate and apart, and to inquire as to, and prescribe the apportionment of, capitalization, earnings, debts and expenses fairly and justly to be awarded to or borne by the regulated utility.

The Commission finds that, in this case, the time period of four and half years for requested documents is not overly broad. However, the Commission agrees with Confluence Rivers that DR 3069 is overly broad in that it necessarily requests information for separate corporate entities operating in states other than Missouri and for transactions having nothing to do with Missouri. Therefore, the Commission will limit Confluence Rivers' required answer to Investment Memoranda associated in total or in any part with Confluence Rivers or potential Missouri acquisitions.

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<sup>13</sup> Thomas Direct, p. 1.



**THE COMMISSION ORDERS THAT:**

1. OPC's Motion to Compel is granted in part. Confluence Rivers shall respond to and provide a full and complete response to OPC's DR 3069, limited to those Investment Memoranda or portions thereof that are associated in total or in any part with Confluence Rivers or potential Missouri acquisitions.
2. This order shall be effective immediately upon issuance.

**BY THE COMMISSION**

A handwritten signature in black ink that reads "Nancy Dippell".

Nancy Dippell  
Secretary

Rupp, Chm., Coleman, Holsman, Kolkmeier  
and Hahn CC., concur.

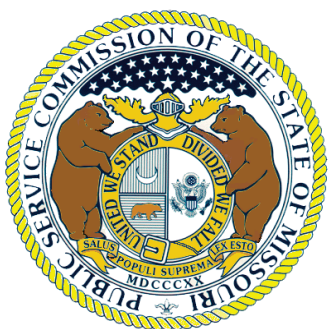
Hatcher, Senior Regulatory Law Judge

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 10<sup>th</sup> day of August, 2023.



Nancy Dippell  
Secretary

**MISSOURI PUBLIC SERVICE COMMISSION****August 10, 2023****File/Case No. WR-2023-0006****Missouri Public Service  
Commission**

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**Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).**

**Sincerely,**



**Nancy Dippell  
Secretary**

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Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.