

Confluence Rivers Utility Operating Company, Inc.
 File No. WM-2020-0282
 NET BOOK VALUE RESPONSE
 August 24, 2020

** _____ ** Denotes Confidential

Confluence Rivers' Response to Rate Base

Rate Base

DeGuire – Lien Against System

The Company agreed to a ** _____ ** purchase price in regard to the DeGuire system in part to retire the current lien against the system of Twenty Thousand Dollars (\$20,000) filed by Great Southern Bank. The Bank would only agree to release the collateral upon receipt of the funds lent to Mark Edgar. That lien must be released before the Company can acquire clear title to the system. The Company believes that the funds used to pay off this lien should be included in the Rate Base for DeGuire and intends to so argue in Confluence Rivers' next rate case.

Non-Regulated Acquisitions - CIAC

The Company disagrees with Staff's determination of rate base for the non-regulated systems involved in this case. The Code of Federal Regulations (CFR) defines Contributions in Aid of Construction (CIAC) as "any amount of money or other property contributed to a **regulated** public utility that provides water or sewerage disposal services to the extent that the purpose of the contribution is to provide for the expansion, improvement, or replacement of the utility's water or sewerage disposal facilities." As such the non-regulated systems have no CIAC, which means the CIAC amount Staff has arbitrarily assigned to those systems appears to be based on abstract assumptions and should not be used to determine the rate base for those systems. Moreover, the Company is unaware of any books or records that indicate the assets were contributed instead of purchased by the seller. Disregarding CIAC, the chart included at the top of Page 17 of the Staff Memo in this case should reflect the following information:

Rate Base Calc	Plant in Service	Accumulated Reserve	Net Book Value
Freeman Hills	\$ 26,070.00	\$ 22,272.00	\$ 3,798.00
Fawn Lake	\$ 81,790.00	\$ 42,310.00	\$ 39,480.00
Prairie Heights	\$ 45,717.00	\$ 41,351.00	\$ 4,366.00
DeGuire	\$ 65,547.00	\$ 58,816.00	\$ 20,000.00*

Using these Net Book Values, the chart summarizing the premium that Confluence Rivers is paying for should reflect the following information:

Premium Calc	Purchase Price	Net Book Value	Delta
Branson Cedars	\$ ** _____ **	\$ 121,560.00	\$ ** _____ **
DeGuire	\$ ** _____ **	\$ 20,000.00	\$ ** _____ **
Prairie Heights	\$ ** _____ **	\$ 4,366.00	\$ ** _____ **
Fawn Lake	\$ ** _____ **	\$ 39,480.00	\$ ** _____ **
Freeman Hills	\$ ** _____ **	\$ 3,798.00	\$ ** _____ **

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*The Net Book Value for DeGuire incorporates value based on funds needed to retire the current lien.

It also should be kept in mind that a final determination of the net book value of the currently unregulated systems need not be decided in this case but should be deferred to Confluence Rivers' next rate case.

Conclusion

The Company's position is that Staff's CIAC calculation should be disregarded in the assessment of net book value for regulated purposes.