

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Third Party Contracts/Customer Service/  
Meters/Fire Protection  
**Witness/Type of Exhibit:** Marke/Rebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** WR-2023-0006

**REBUTTAL TESTIMONY**  
**OF**  
**GEOFF MARKE**

Submitted on Behalf of the Office of the Public Counsel

**CONFLUENCE RIVERS UTILITY  
OPERATING COMPANY, INC.**

CASE NO. WR-2023-0006

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Denotes Confidential Information that has been redacted

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June 29, 2023

**PUBLIC**

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**REBUTTAL TESTIMONY**

**OF**

**GEOFF MARKE**

**CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

**CASE NO. WR-2023-0006**

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),  
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Dr. Marke that filed direct testimony in WR-2023-0006?**

6 A. I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. I am responding to the direct testimony of other parties' witnesses on select topics. The  
9 following is a list of those topics and witnesses:

- 10 • Third-Party Contracts
  - 11 ○ Confluence Rivers witness Todd Thomas; and
  - 12 ○ Missouri Public Service Commission Staff ("Staff") witnesses: Curt B.  
13 Gateley, Paul K. Amenthor and Jane C. Dhority
- 14 • Customer Service
  - 15 ○ Confluence Rivers witness Todd Thomas; and
  - 16 ○ Staff witness Scott Glasglow
- 17 • Meters
  - 18 ○ Confluence Rivers witness Todd Thomas
- 19 • Fire Protection
  - 20 ○ Emerging Issue(s) in the Terre Du Lac water system

1 My silence regarding any issue should not be construed as an endorsement of, agreement  
2 with, or consent to any party's filed position.

3 **II. THIRD-PARTY CONTRACTS**

4 **Q. Do you have any updated impressions of the Central States Water Resources ("CSWR")**  
5 **business model since you filed direct testimony?**

6 A Yes. In direct testimony, I described CSWR as a utility that buys distressed systems and then  
7 pays someone else to run them.

8 I also characterized CSWR's business model as analogous to the "We Buy Ugly Homes"  
9 model insofar as the Company targets distressed assets; however, unlike the We Buy Ugly  
10 Homes model, CSWR has not "flipped" these assets to date. After reviewing, filed direct  
11 testimony, issued discovery, and reviewing public hearing testimony it has now become  
12 apparent that the second part of the business model, "and then pays someone else to run them"  
13 merits further discussion. CSWR may be singularly unique amongst all utilities in the United  
14 States, if it is even appropriate to call a company based entirely on third-party contracts a utility.

15 Because of CSWR's almost entire reliance on third-party contracts and singular focus on  
16 acquiring distressed systems throughout the country, I believe ratepayers have experienced  
17 suboptimal service and are exposed to considerable risk in the future if the Company does not  
18 adapt and start emulating traditional utility models

19 **Q. What is a contractor-based company and how does it operate?**<sup>1</sup>

20 A. A contractor-based company is a company that relies on contractors to provide all or the  
21 majority of its services. Contractor-based companies typically have a small core team of  
22 employees who are responsible for managing the contractors, aggressively pursuing  
23 competitive vendors through requests for proposals ("RFPs"), and ensuring that contractors are

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<sup>1</sup> There is no single term for a company that contracts out all of its services, such terms as "outsourced", "virtual", or "contractor-based" have been used in academic journals to describe a business model that relies on third, and fourth-party contracts. For my purpose, I will utilize the term "contractor-based" to describe the CSWR business model that is utilized for all of its 844+ water and wastewater affiliate systems across eleven states.

1 providing the required service they procured. Mr. Thomas speaks to this process in his  
2 testimony:

3 As the question suggests, the process CSWR uses has two distinct parts: identifying  
4 qualified contractors and then, after evaluating competitive bids, engaging one or more  
5 contractors to provide required O&M services. There is a third aspect as well:  
6 management and oversight of the O&M contractors that CSWR engages on  
7 Confluence Rivers behalf.<sup>2</sup>

8 **Q. What are some potential advantages of this business model?**

9 A. This business model typically works well for short-term stopgaps or unique situational  
10 challenges. The three most common arguments in favor include the following:

- 11 1. Cost savings. This is because contractors (for certain jobs) are typically paid less than  
12 employees, and they do not have the same overhead costs (e.g., office space and  
13 benefits).
- 14 2. Access to expertise: Contractors can provide a skill set that may not be present in-  
15 house.
- 16 3. Flexibility: Contracting out service can give a company more flexibility in scaling its  
17 workforce up or down as needed, without having to fire or hire employees.

18 **Q. What are some potential risks that can arise from a contract-based business model?**

19 A. Literature on this topic is lengthy, but some of the more common risks include:

20 Lack of control over quality: This is because the company is no longer directly  
21 responsible for the hiring, training, and management of the contractors.

22 Security: Contractors may have access to sensitive company data, such as customer  
23 information or financial data.

24 Contractual disputes: The possibility that one party will not live up to their end of the  
25 bargain. This can lead to a contractual dispute, which can be costly and time-  
26 consuming to resolve.

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<sup>2</sup> Case No. WR-2023-006 Direct Testimony of Todd Thomas, p. 6, 10-15.

1                    Knowledge of the system: Relying solely on an outside contractor results in the utility  
2                    not having knowledge of its own system sufficient to operate the system should an  
3                    issue arise with the contractor; this could further lead to a dependence on the contractor  
4                    that causes the utility to lose bargaining power when negotiating future contracts.

5 **Q. Are the potential advantages and risks you identified exhaustive?**

6 A. No.

7 **Q. Is it unusual for a utility to hire out third-party services for parts of its operations?**

8 A. No. Utilizing third-party contractors for various services that may requires a unique skill or are  
9 otherwise cost-effective is often a prudent managerial practice.

10 **Q. Is it unusual to utilize a contract-based model for *all* of a utility's operations?**

11 A. Yes. In fact, it might be unheard of.

12 Economically regulated utilities are natural monopolies that are the only provider of a service  
13 to a set of captive customers. Historically, these local utilities are a core part of the communities  
14 they serve. This is perhaps even truer for water utilities because the nature of the good and  
15 service it provides is local in nature (unlike electricity and gas that is often transported from  
16 other states).

17 I am not aware of any utility that outsources all of its operations.<sup>3</sup>

18 **Q. Why is that?**

19 A. Because it would be difficult to maintain control over the quality of service that is provided to  
20 customers. This fact is especially important for a regulated utility where customers do not have  
21 the option to exercise choice *and* the service that is provided is one you ingest in your body.

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<sup>3</sup> And by all "operations" I also include capital construction and investment which is contracted-out to third and fourth-parties.

1 **Q. Do you believe a business model that is predicated on buying remote, rural distressed**  
2 **systems is an ideal situation to be run entirely by third and fourth party contracts?**

3 A. I did when I first heard about CSWR's business model in Missouri. I also assumed, naively in  
4 retrospect, that the contract-based model would be either temporary before the Company could  
5 hire and train its own local employees or the Company was going to flip its acquired systems  
6 to a more established utility.

7 Unfortunately, neither of those outcomes have materialized. Instead, the Company has rapidly  
8 expanded its footprint across the United States with a singular focus on acquisitions and  
9 injecting much needed capital into distressed systems while maintaining the contract-based  
10 model.

11 **Q. Shouldn't CSWR be praised for taking on these troubled systems?**

12 A. Yes, and I believe they have been. CSWR has shown a real talent in targeting systems "nobody  
13 wants." As a result, they have been rewarded with favorable fair market valuation and  
14 opportunities for injecting copious amounts of capital that resulted in favorable economic  
15 outcomes for this private company. However, those actions do not excuse its shortcomings in  
16 operating water and wastewater systems thereafter, nor the heightened risk to customers in  
17 securing safe and adequate service at just and reasonable rates as the Company seemingly  
18 continues to prioritize acquisitions at the expense of its existing systems.

19 **Q. Can you provide some examples where CSWR's contractual model has failed to provide**  
20 **prudent cost and operation management?**

21 A. I can. In addition to the concerns I raised in my direct testimony surrounding: 1.) failure to  
22 name and identify the systems the Company owns; 2.) inconsistencies in tariffed and website  
23 late fees; and 3.) absence of any corporate governance policies or frameworks. Here are some  
24 snapshot examples where I believe the Company's business model has failed to evolve because  
25 of its over-reliance on third- and fourth-party contracts.

1 Customer Billing:

- 2           • Staff also learned that Confluence attempted to acquire its own usage data from  
3           Starnik but learned that there would be a fee for that data that had not been agreed  
4           upon by the parties. There was also no language within the contract with Starnik  
5           qualifying the data as owned by Confluence.<sup>4</sup>

6 Chemicals:

- 7           • Because there is no tracking of chemical amounts and cost per amount by system  
8           nor tracking of amounts used by system, Staff cannot determine the cost per  
9           quantity and frequency of purchase nor the cost and quantity and frequency of use  
10          of each type of chemical used. Staff noted that many times chemicals are purchased  
11          by third party contracted operators who add a markup percentage on top of the  
12          actual cost for the chemicals.<sup>5</sup>

13 Long and Short-term Planning

- 14           • Discovery Request: Please provide or make available for review, all long range  
15          plans and guidelines, short range plans and guidelines for Confluence Rivers as a  
16          whole and by tariffed rate districts.

17          Company Response: No long-or short-term plans or guidelines exist.<sup>6</sup>

18 Capital Budgets

- 19           • Discovery Request: Please provide the employee name and job title of the CSWR  
20          LLC employee(s) who are responsible for developing and monitoring capital  
21          budgets. 2. Provide all written policies, procedures and all other instructions that  
22          employees have access to for reference when determining capital projects are  
23          needed, the timing of the projects and securing necessary approval for each capital  
24          project.

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<sup>4</sup> Direct Testimony of Paul K. Amenthor p. 5, 8-11.

<sup>5</sup> Ibid. p. 13, 12-16.

<sup>6</sup> See GM-1.



1                    Company Response: Jacob Freeman, Director of Engineering, is responsible for  
2                    developing and monitoring capital budgets. 2. No such written polices or  
3                    procedures exist.<sup>7</sup>

4                    Lack of Oversight

- 5                    • Based on Confluence’s personnel’s statements, and the examples below, Staff does  
6                    not believe adequate oversight of contract employees is being conducted.<sup>8</sup>

7                    Transparency

- 8                    • In addition to exercising an apparent lack of oversight, Confluence will not allow  
9                    Staff access to its utilities via a contract operator, and instead requires a Confluence  
10                    employee familiar with operations to attend. However, Confluence appears to lack  
11                    full time employees dedicated to Missouri to fulfill this void. When Staff seeks to  
12                    conduct routine inspections of the facilities owned by Confluence, or verify  
13                    installations of new plant investments as part of a prudence review, Confluence has  
14                    constrained these inspections to a time when a specific Confluence employee is in  
15                    the state.<sup>9</sup>

16                    Cost Saving Assumptions Example #1

- 17                    • Discovery Request: Has Confluence performed any studies to determine whether  
18                    the bidding of systems has created economies of scale and yielded cost savings as  
19                    discussed in page 9 of Mr. Thomas direct testimony?

20                    Company Response: No such study has been conducted. The statement in Mr.  
21                    Thomas’ testimony is based upon his knowledge of the industry, the number of  
22                    connections in Missouri, the dispersal of connections across Missouri, and the time  
23                    and effort needed to train and retain operational employees.<sup>10</sup>

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<sup>7</sup> See GM-2.

<sup>8</sup> Ibid. p. 7, 12-14.

<sup>9</sup> Direct Testimony of Curt B. Gateley p. 6, 19-22 & p. 7, 1-3.

<sup>10</sup> See GM-3.

1 Cost Savings Assumptions Example #2

- 2 • Discovery Request: Please provide all cost-benefit analysis undertaken regarding  
3 AMI investments. If no cost-benefit analysis was conducted, please provide a  
4 narrative response as to why.

5 Company Response: No formal cost-benefit analysis has been completed. It has  
6 been the practice of CSWR and Confluence Rivers to install AMI meters whenever  
7 possible.<sup>11</sup>

8 Health and Safety

- 9 • On April 11, 2023, Staff inspected systems owned by the Company in the Kansas  
10 City Area. At the Fox Run sewer treatment plant, Staff observed a bypass of  
11 partially treated sewage and non-functioning recirculating sand filter bed. Staff  
12 observed dead vegetation where the sewage escaped the filter bed due to saturated  
13 soils, large pools of sewage outside the perimeter fencing in which algae had begun  
14 to grow, and a saturated filter bed with surfacing sewage. The condition of the  
15 facility appears to indicate the bypass had been occurring for several days to a few  
16 weeks. . . . In no event should the bypassing of sewage been allowed to continue  
17 without corrective action.<sup>12</sup>

18 Corporate Governance

- 19 • Discovery Request: Please provide a copy of any and all corporate documents  
20 and/or frameworks CSWR relies on for its management and operations.

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<sup>11</sup> I also submitted OPC DR-2023, which asked: “Please provide any and all Requests for Proposals or other solicitation of bids issued for water meters (including AMI meters, smart meters, or other meters) and any ancillary meter equipment or attachments. If no Requests for Proposals were issued, please provide a narrative explanation why not.” See also GM-4

The Company responded: “Any and all corporate governance documents and/or frameworks” relied on by CSWR are too numerous to identify and provide copies.

Further follow-up is necessary to make sure the Company responds correctly to the question posed.

<sup>12</sup> Direct Testimony of Curt B. Gateley p. 9, 7-12 & p. 10, 7-8.

1                    Company Response: Without waiving its objection, Confluence Rivers states as  
2 follows: Many different documents are used to govern CSWR's operations.  
3 Examples include, but are not limited to: GAAP rules, the Uniform System of  
4 Accounts for Water and Wastewater Utilities, and the Company's operating  
5 agreement.

6 **Q. Staff witness Curt B. Gateley recommended that Confluence Rivers be required to have**  
7 **a full-time Missouri employee dedicated to its Missouri water systems. Do you agree?**

8 A. I do, but first I would like to point out how bizarre this request is. That the Commission Staff  
9 has to request to the Commission to order CSWR to hire at least one person who can oversee  
10 the Missouri contracts alone and be present—in Missouri. That is where we are at. Please let  
11 that fact sink in and reflect on how that request would play out if that information were given  
12 to the public at large who are paying and utilizing this water and wastewater service.

13 To be clear, I believe customers (in costs overruns and potential health concerns) and the  
14 Company (in reputational regulatory risk) have an enormous liability that will continue to  
15 become more pronounced the longer the contract-based model is in place and the Company  
16 spreads itself thinner and thinner across more distressed systems and states.

17 This is not a sustainable business model.

18 So yes, I support Mr. Gateley's recommendation that the Company should have at least one  
19 full-time employee vested in the outcome of its multi-million dollar water and wastewater  
20 investments in Missouri. I also don't think Mr. Gateley has gone far enough in his  
21 recommendation.

22 **Q. Then what is your recommendation?**

23 A. I recommend that the Commission disallow \$1,094,426 from the Company's combined water  
24 and wastewater operations expense budget, which is currently pegged at \$1,694,426 annually  
25 in Staff's filed accounting schedules, and flown entirely to third-party water and wastewater  
26 systems contractors. The remaining balance of \$600,000 should be used to hire and train nine  
27 new full-time employees to oversee the Company's Missouri water and wastewater assets full-

1 time. These new full-time employees would then replace the need for Confluence to rely on  
2 their currently contracted vendors for water and wastewater operations.

3 **Q. Why do you conclude that \$600,000 is sufficient to hire nine new full-time employees to**  
4 **oversee the Company’s Missouri water and wastewater assets?**

5 A. According to the Missouri Economic Research and Information Center (“MERIC”) database  
6 on Occupational Employment and Wage Estimates (“OEWS”) there are an estimated 2,290  
7 Water and Wastewater Treatment Plant and System Operators in Missouri who make an annual  
8 mean wage of \$48,220. I recommend a total of \$60,000 (that includes health insurance, etc...)   
9 be applied to each of the nine new positions, with the remaining \$60,000 being used to cover  
10 any overtime or extra expenses. This should result in cost savings, greater quality assurance,  
11 and direct control. It is time that Confluence Rivers start acting like a traditional utility if they  
12 are not going to sell their assets. Hiring employees to operate its assets would seemingly be an  
13 obvious first step towards that process.

14 **Q. At page five of his direct testimony, Confluence River’s expert Mr. Todd Thomas states,**  
15 **“Given that systems currently owned by Confluence Rivers are geographically dispersed**  
16 **and, given the number of connections served in Missouri at this time, it would be difficult**  
17 **for Confluence Rivers to cost-effectively employ an in-house workforce of sufficient size**  
18 **to perform all required O&M functions necessary to fulfill the objective of providing**  
19 **customers safe, reliable, and timely utility service at reasonable rates.” How do you**  
20 **respond?**

21 A. After reviewing the map of system locations that Confluence currently serves attached to Mr.  
22 Thomas’s direct testimony, I believe it would be very possible to cover the Company’s current  
23 geographic footprint using only nine operators. Table 1 provides a breakdown of my  
24 recommendations.

1

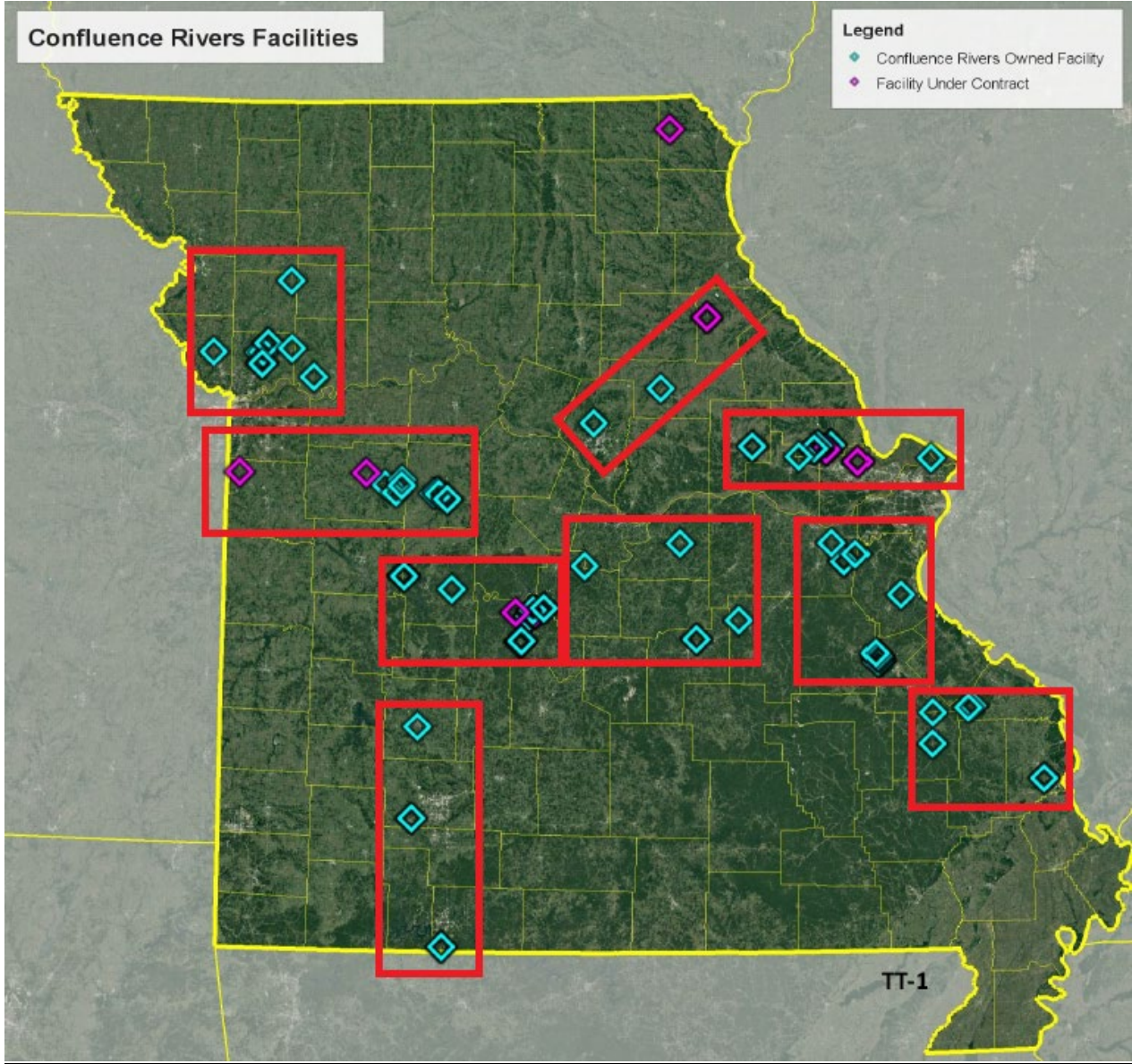
Table 1: Breakdown of Proposed Operators to Water and Wastewater Systems

<b>Operator</b>	<b>Water</b>	<b>Wastewater</b>
#1	None	Platte – Clemstone WWTF Clay –Berkshire Glenn; Fox Run; Park Estates WWTF; Private Gardens; Wilmar Estates WWTF; Prairie Field WWTF Clinton – County Hills Estates Ray – Countryside Meadows
#2	Pettis – Missouri Utilities	Cass – Oasis Mobile Home Park Johnson – South Walnut Hills; Village of Whiteman WWTF; Rainbow Acres Subdivision WWTF; State Park Village; Twin Oaks Estates Pettis – Hunter's Ridge; Missouri Utilities
#3	Benton – Spring Branch; The Missing Well Camden – Cedar Glen Condominiums; Chelsea Rose; Cimarron Bay; Eagle Woods / Rte. KK; Cedar Green	Benton – The Missing Well Camden – Cedar Glen; Chelsea Rose; Cimarron Bay; Eagle Woods / Rte. KK; Cedar Green WWTF
#4	Greene – The Willows Taney – Branson Cedar Resort	Polk – Prairie Heights Greene – Willows Utility Co. WWTF Taney – Branson Cedar Resort
#5	Cole – Eugene Phelps – Gladlo Crawford – Indian Hills	Phelps – Gladlo WWTF
#6	Boone – Smithview	Audrain – Freeman Hills
#7	Montgomery – Roy L Lincoln – Majestic Lakes; Auburn Lakes; Glen Meadows Lincoln/Warren – Fawn Lake	Montgomery – Roy L Lincoln – Majestic Lakes; Auburn Lakes WWTF; Glen Meadows WWTP St. Charles – Stone Ridge Meadows Subdivision WWTF St. Louis – Castlereagh
#8	Franklin – Calvey Brook; Evergreen St. Francois – Terre Du Lac	Franklin – Calvey Brook; Villa Ridge St. Francois – Terre Du Lac Jefferson – Lake Virginia
#9	Perry – Port Perry	Madison – Deguire; Deer Run Estates

	Cape Girardeau – Hillcrest	Perry – Port Perry Cape Girardeau – Hillcrest
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1  
2 In addition, I have also prepared Figure 1, seen below, that shows how these nine divisions  
3 appear on a geographic basis.

4 Figure 1: Geographic Breakdown of Proposed Operators to Water and Wastewater Systems



5  
6

1 **Q. How would your proposed division of labor compare to the third-party contractors**  
2 **Confluence is currently using?**

3 A. In response to Staff DR 0241, Confluence provided a list of the operators currently responsible  
4 for the normal operations of each water and waste water system owned by the Company. The  
5 Company's response showed that there were only **\*\*\_\_\*\*** individuals who served as the main  
6 operator across all of Confluence's systems. My proposal would therefore increase the number  
7 of main operators for Confluence's systems.

8 **Q. Given this, do you agree with Mr. Thomas' claim that "it would be difficult for**  
9 **Confluence Rivers to cost-effectively employ an in-house workforce of sufficient size to**  
10 **perform all required O&M functions"?**

11 A. No. As I have already demonstrated, it should be possible for Confluence to cost-effectively  
12 employ an in-house workforce of licensed water and wastewater operators that could cover its  
13 current geographic footprint more thoroughly, and at a substantially lower cost, than  
14 Confluence is currently doing. Confluence's position regarding its decision to only employ  
15 third-party contractors appears driven entirely by the Company's "experience" without any  
16 corresponding effort to verify the cost savings that may or may not be achieved by moving  
17 operations in-house. Because the Company has not engaged in any apparent cost-benefit  
18 analysis there is no reason to accept Mr. Thomas' conclusion.

19 **Q. Would there still be potential cost savings by moving water and wastewater operations**  
20 **in-house even if Confluence was required to hire more than nine operators?**

21 A. At \$60,000 apiece (which I remind the Commission is above average pay for these types of  
22 positions), Confluence could hire as many as twenty operators and still produce cost savings  
23 of \$494,426 for customers based on Staff's filed accounting schedules. (\$1,694,426 -  
24 \$1,200,000 = \$494,426).

25

1 **Q. Does Mr. Thomas identify other concerns beyond workforce size as a justification for**  
2 **why Confluence continues to employ third-party operators?**

3 A. Yes. At page five of his testimony, Mr. Thomas identifies that operators need to be trained and  
4 licensed to meet federal, state, and local laws and regulations. He opines that, based on  
5 CSWR’s “experience,” the company has found it more economical to retain third party  
6 contractors than for Confluence to hire and train individuals.

7 **Q. Do you agree with Mr. Thomas’ assessment?**

8 A. I do not. According to the Missouri Department of Natural Resources’ (“MDNR”) website,  
9 Operator Certification Training is offered year-round by numerous institutions in this state.<sup>13</sup>  
10 In fact, there are three training opportunities being offered the very day this testimony is filed.  
11 Moreover, several of the training courses qualify for “six months equivalent experience in the  
12 certificate area,” again, according to MDNR. The vast majority of these trainings require only  
13 a single day, though some last as long as twelve days and can vary in price between free to just  
14 over a thousand dollars with the majority falling into the low hundreds. There are also several  
15 organizations in this state dedicated to helping people acquire the necessary training and  
16 licensing to become a water and/or waste water operator including the Missouri Water and  
17 Wastewater Conference<sup>14</sup> and the Missouri Rural Water Association.<sup>15</sup> Given this information,  
18 I believe it would be quite easy and cost-effective for Confluence to hire and train in-house  
19 water and wastewater operators.

20 **Q. Could you please summarize your position regarding Confluence’s use of third-party**  
21 **contractors?**

22 A. Confluence’s reliance on third party contractors to handle the vast majority of the day-to-day  
23 operations of their systems is putting the Company at risk and costing its Customer’s to pay  
24 more than they should for service. If Confluence intends to continue operating as a water and

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<sup>13</sup> <https://dnr.mo.gov/water/business-industry-other-entities/permits-certification-engineering-fees/operator-certification/training>

<sup>14</sup> <https://www.mwwc.net/>

<sup>15</sup> <https://moruralwater.org/>



1 wastewater provider in this state instead of simply bundling these systems in preparation for a  
2 sale, it needs to begin acting like a proper utility. In particular, the Company needs to develop  
3 the internal workforce necessary to maintain proper maintenance and operations of its system.  
4 Not only will this ensure Confluence is better equipped to serve these systems and respond  
5 quickly to any problems that arise, it will also significantly reduce the cost to operate these  
6 systems. On that last point, the Commission should disallow the excess costs that Confluence  
7 has incurred by relying on third-party contractors, which the OPC has calculated to be  
8 \$1,094,426, to make customers whole for the Company's imprudent business decisions.

9 **Q. Do you have any final comments to make on this topic?**

10 A. In regulatory settings, the cognitive fallacy of "hindsight bias" is often given a fair amount of  
11 ink by companies, regulators and stakeholders primarily regarding the prudence of past  
12 managerial decisions. Less often heard is the term "normalcy bias".

13 Normalcy bias is a cognitive bias, which leads people to disbelieve or minimize threat  
14 warnings. Consequently, individuals underestimate the likelihood of a disaster, when it might  
15 affect them, and its potential adverse effects. This is most often cited in households, companies,  
16 or governments underpreparing for possible disasters.

17 There is nothing normal about a utility that contracts out all of its operations to third and fourth  
18 parties. I implore the Commission to not fall victim to this cognitive fallacy and recognize that  
19 this business model is not sustainable. The potential for disaster is very real and will most  
20 certainly be viewed by everyone after the fact as a seemingly obvious outcome when a  
21 company is completely dependent on outside parties to run its operations.

22 **II. CUSTOMER SERVICE**

23 **Q. Please summarize Staff witness Scott Glaslow's testimony on customer service.**

24 A. Mr. Glaslow's testimony can be broken down to three primary parts. First, he states that  
25 Confluence has failed to maintain customer complaint information as was ordered by the  
26 Commission in Case No. WR-2020-0053. Second, he recommends that the Company hold

1 quarterly meetings with the PSC Staff over both customer complaints and operational changes  
2 that may impact the customer experience. This is similar to what occurs with other utilities  
3 that have elicited suboptimal customer service experiences. Finally, he recommends that the  
4 Company perform a customer opinion survey to elicit feedback from customers over the  
5 quality of its service.

6 **Q. Do you agree with these recommendations?**

7 A. I do. However, I do not believe these recommendations go far enough; moreover, I do not  
8 believe Mr. Glasgow's recommendations hold the Company accountable for its failure to  
9 comply with an explicit Commission order or take into account the apparent historical  
10 negligence in this area to date. As such, I recommend the following:

11 The Company should submit a competitive RFP for a third-party customer opinion survey  
12 throughout each of its systems. The RFP should be based, in part, on feedback given to the  
13 Company from Staff and OPC. The selection of the contract will be based on a three-way vote  
14 from the Staff, OPC, and the Company. If a majority decision cannot be reached, the results  
15 will be presented to the Commission for selection. The cost of the study should not exceed  
16 \$100K and should be recorded entirely below-the-line. Finally, the results of the study should  
17 be submitted within one year of rates going into effect and be made public in EFIS.

18 **Q. Has such a format been conducted before?**

19 A. Yes, I have been involved in similar 3<sup>rd</sup> party Staff, OPC, and Company studies following these  
20 exact formats with Evergy, Spire and Ameren Missouri.

21 **Q. Do you have any recommendations as it pertains to the quarterly customer experience  
22 meetings with Staff?**

23 A. I recommend that OPC be invited to those meetings as well.

1 **III. METERS**

2 **Q. Mr. Thomas speaks about meter replacement in his testimony. Does he explicitly speak**  
3 **about the Company's investment in more expensive AMI hardware as opposed to**  
4 **traditional diaphragm meters?**

5 A. He does not.

6 **Q. Do you know if the Company has performed a cost-benefit analysis to justify this**  
7 **additional expense?**

8 A. They have not.<sup>16</sup>

9 **Q. Do you know if the Company issued a competitive RFP for meters?**

10 A. I do not know. The Company did not answer the discovery question posed to them on this issue  
11 correctly.<sup>17</sup>

12 **Q. In direct testimony you recommended a disallowance for all AMI related cost but did not**  
13 **provide a specific cost. Can you provide that information now?**

14 A. I cannot at this moment. I expect to update this information in surrebuttal testimony based on  
15 feedback I will receive from water meter vendors.

16 **IV. FIRE PROTECTION**

17 **Emerging Issue(s) in the Terre Du Lac System**

18 **Q. Has any information been made public since direct testimony was filed that you believe**  
19 **is germane for the Commission's consideration?**

20 A. Yes.

21 On June 23rd the Commission held a public hearing in Farmington to elicit feedback from  
22 Confluence Rivers' customers. One of those speakers, was the Fire Department Chief for the  
23 Terre Du Lac community. Mr. Romines provided the following testimony:

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<sup>16</sup> See also GM-5.

<sup>17</sup> See also GM-6.

1 The biggest concern is that I'm the fire chief and they have done a lot of work like  
2 storage tanks and pumps like that, but they still have numerous miles of line that are  
3 four inch water mains that are not going to supply the water that we need to fight fires.  
4 Our little community you could say it's the perfect storm we're set up almost like  
5 California. If we have a wildland event houses are stacked on top of each other. You  
6 have all the undergrowth. You have an abundance of cedar.

7 I can't trust that water system.

8 Four inch lines are going to give me thousand gallons a minute *if* the pumps are  
9 working correctly *if* the lines are working correctly. But most of the hydrants have two  
10 two-inch outlets. That's still, even if I hook a truck to those two two-inch outlets I'm  
11 still not getting enough water.

12 We've had to adjust our responses. I have put ten other fire departments on my first  
13 alarm that I will have ten thousand gallons of water coming to me but that's going to  
14 take time because we're all volunteer.

15 How many houses am I going to lose in that time? . . .

16 I've tried calling them six times to get appointments. No callbacks. When they went  
17 and took our water towers out of service and started that. Nobody in our community  
18 knew that the water towers were going to go down until the repair crews showed up  
19 that morning. We did some scrambling to cover ourselves as far as fire protection. So  
20 that's my biggest concern.<sup>18</sup>

21 I had the opportunity to speak with Mr. Romine after the public hearing and he forwarded me  
22 a memorandum he drafted that articulates more of his concerns with Confluence as well as a  
23 willingness from the fire department to work with the Company to secure safe provisions  
24 related to fire prevention.<sup>19</sup>

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<sup>18</sup> Case No. WR-2023-0006. Local Public Hearing Confluence Rivers in Farmington:  
<http://psc.mo.gov/Videos/VideoDetail.aspx?Id=6615> 20:00.

<sup>19</sup> See GM-7.

1 **Q. Can you provide an example?**

2 A. Yes. Mr. Romine referenced an opportunity for federal grant money to secure updated fire  
3 hydrants and potential other distribution investment to enable the fire department to operate  
4 effectively. However, this opportunity is dependent on Confluence engaging in dialogue with  
5 the fire department and working in collaboration moving forward.

6 **Q. Do you have any recommendations?**

7 A. I do. I recommend that \$22,304 be removed from account 348.000 related to fire hydrants as  
8 these assets do not appear to be used or useful to the fire department of Terre Du Lac. I also  
9 recommend that the Company be required to meet with each of the respective fire departments  
10 that operate over its water operations both as a means for initial introduction as well as to  
11 engage in dialogue about opportunities for collaborative grant writing efforts for federal funds  
12 related to fire fighting. The Company should extend invitations to both Staff and OPC of this  
13 event(s) and file a report with the Commission in EFIS outlining participants present and any  
14 agreed upon action items. These meetings should occur as soon as possible and no later than  
15 the end of calendar year 2023.

16 **Q. Does this conclude your testimony?**

17 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**


In the Matter of Confluence Rivers Utility     )  
Operating Company, Inc.'s Request for     )  
Authority to Implement a General Rate     )     Case No. WR-2023-0006  
Increase for Water Service and Sewer Service)  
Provided in Missouri Service Areas     )

**AFFIDAVIT OF GEOFF MARKE**

**STATE OF MISSOURI**     )  
   )     ss  
**COUNTY OF COLE**     )

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Geoff Marke  
Chief Economist

Subscribed and sworn to me this 28<sup>th</sup> day of June 2023.



TIFFANY HILDEBRAND  
My Commission Expires  
August 8, 2023  
Cole County  
Commission #15637121

  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public

My commission expires August 8, 2023.