

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 9<sup>th</sup> day of  
November, 2022.

In the Matter of the Application of Confluence     )  
Rivers Utility Operating Company, Inc., for        )  
Authority to Issue Long-Term Debt and to         )  
Secure Same with a Lien on its Property            )  
**File No. WF-2023-0023**

**ORDER GRANTING FINANCING APPLICATION**

Issue Date: November 9, 2022

Effective Date: November 19, 2022

On August 1, 2022, Confluence Rivers Utility Company, Inc. (“Confluence”) submitted applications requesting authority to issue long-term debt to CoBank, ACB (“CoBank”) in an amount not to exceed \$7.2 million. Confluence’s applications also seek authority to secure this long-term indebtedness by granting CoBank a statutory lien on all equity Confluence owns now and will own in the future, as well as a perfected priority lien on, and security interest in, all real and personal, tangible and intangible, present and future assets of Confluence. Confluence is a wholly-owned subsidiary of Central States Water Resources, Inc.

Confluence intends to use the proceeds from the long-term secured debt for refinancing existing debt. By refinancing existing high interest debt, Confluence seeks to obtain a lower interest rate. Confluence Rivers estimates the loan interest rate will decrease from its current 14% per annum to a range of 4.5% to 7% per annum. An interest rate decrease in this range will allow Confluence Rivers to pay roughly 50% to 68% less on payments. Loan maturity is not to extend beyond twenty years at a per annum fixed interest rate that will be determined by CoBank.

Staff filed a recommendation on October 7. Staff analyzed the requested amount as it relates to the stated uses to ensure that the amount requested is reasonable and generally supports long-term capital investment. Staff also analyzed the pro forma impact the requested financing may have on the company's credit metrics, which may include the estimated impact on the parent company's credit metrics if the subject company's rating is influenced by the parent company's financial risk. Staff did not analyze journal entries required to be filed by Confluence to allow for the fee schedule set forth in Section 386.300, RSMo, because the financing is for the purpose of refinancing existing debt, and not subject to the requirements of that statute.

Staff verified that Confluence's projected capital expenditure plan supports the need for refinancing the \$7.2 million long-term debt at a lower interest rate. Staff states that, to the extent Confluence's credit metrics do not change substantially, Confluence's financial risk profile will not be significantly changed by the approval of its application, and for that reason the application is not detrimental to the public interest. Staff recommended approval of Confluence's application with eight conditions that are established in the ordered paragraphs of this order. Confluence did not object to Staff's recommendation.

On October 27, the Office of the Public Counsel (OPC) filed a pleading requesting the Commission to issue Confluence's requested financing authority subject to a single proposed condition. Confluence filed its response to that pleading on the same day, stating that it does not object to OPC's proposed additional condition and requesting the Commission to issue an order approving its application subject to the conditions proposed

by Staff, in its recommendation, and by OPC, in its pleading of October 27. More than ten days have passed since OPC submitted its request and no objections were received.<sup>1</sup>

The Commission has reviewed and considered Confluence's verified application and Staff's verified recommendation. The Commission finds that the proceeds from the issuance of the long-term indebtedness as described in the application will be used by Confluence to refinance existing debt, and for other corporate purposes. As required by section 393.200, RSMo 2016, the Commission finds that the money, property or labor to be procured or paid for by Confluence through the issuance and sale of the long-term indebtedness is reasonably required and necessary and will be used for the purposes set forth in the application. Further, the Commission finds that such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income. Therefore, the Commission concludes that it is not detrimental to the public interest for Confluence to issue \$7.2 million of long-term indebtedness. The Commission will approve Confluence's request.

Confluence additionally filed a request for a waiver of Commission Rule 20 CSR 4240-4.017(1), which provides "(a)ny person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case." A notice was not filed 60 days prior to the filing of this application, and Confluence seeks a waiver of the 60-day notice requirement. Commission Rule 20 CSR 4240-4.017(1)(D) provides that a waiver may be granted for good cause. Confluence stated that it had good cause because it had no communication with the Office of the Commission within the 150 days prior to filing its application regarding any substantive

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<sup>1</sup> 20 CSR 4240-2.080(13).

issue likely to be in this case, other than those pleadings filed for record. In its recommendation, Staff recommended that the Commission waive the 60-day notice requirement of Commission Rule 20 CSR 4240-4.017(1). The Commission will grant the waiver of the 60-day notice requirement.

On November 8, Confluence filed a request for shortened effective date, arguing that the country is currently in the midst of a volatile time for interest rates and requesting the Commission to consider an effective date shorter than 30 days. The Commission finds Confluence's request to be reasonable and will grant it.

**THE COMMISSION ORDERS THAT:**

1. Confluence's application requesting authority to issue long-term debt to CoBank in an amount not to exceed \$7.2 million, and to secure the long-term indebtedness by granting CoBank a lien on all equity confluence now owns, and will own in the future, is granted.

2. The interest rate on the final financing from CoBank shall not exceed a rate of 7% fixed per annum.

3. Nothing in this order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and the Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later rate proceeding.

4. Confluence shall file with the Commission within thirty (30) days of issuance of any financing authorized pursuant to this order, a report including the amount of indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and

loan or indenture agreement concerning each issuance. Confluence shall also provide the analysis, to include but not be limited to indicative pricing information provided by investment banks, it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time.

5. Confluence may enter into agreements in order to use, at its discretion, derivative instruments such as interest rate swaps, treasury locks, forward-starting swaps, caps, collars or other derivatives, to manage the risk associated with interest rate fluctuations and other financial exposures that may occur before the issuance of the new long-term debt.

6. Confluence shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance if there is any;

7. Confluence shall file a five-year capitalization expenditure schedule in future finance cases

8. The Commission's grant of authority in this order shall expire three years from the effective date of this order.

9. Confluence shall apply for and utilize special low cost government program funding for projects as applicable when the funding is available and is less expensive than alternative sources, including long-term debt with CoBank.

10. Subject to the Commission's rules regarding confidentiality, within (30) days from the issuance of any financing authorized pursuant to a Commission order issued in this proceeding, Confluence shall provide to the OPC and Staff all correspondence either provided to or received from CoBank related to the closing of the loan approved by the Commission.

11. Confluence's request for a waiver of the 60-day notice provision of Commission Rule 20 CSR 4240-4.017(1) is granted.

12. This order shall be effective November 19, 2022.

13. This file shall be closed on November 21, 2022.



**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

Silvey, Chm., Rupp, Holsman, and  
Kolkmeier CC., concur.  
Coleman, C., absent.

Keeling, 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 9<sup>th</sup> day of November, 2022.



  
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**Morris L. Woodruff**  
**Secretary**

**MISSOURI PUBLIC SERVICE COMMISSION**

**November 9, 2022**

**File/Case No. WF-2023-0023**

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

**Sincerely,**



**Morris L. Woodruff  
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.