

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

In the Matter of the Application of Confluence )  
Confluence Rivers Utility Operating Company, )  
Inc. for a Certificate of Convenience and )  
Necessity and Associated with the Acquisition )  
of Certain Water Assets )

**File No. WA-2023-0003**

**STAFF RECOMMENDATION**

**COMES NOW** the Public Service Commission Staff (“Staff”), through counsel, and states that although Staff is not opposed to this transaction in principle, it recommends that the Commission order Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”) to supplement its application with documents and clarifications described in this pleading. Further, Staff does not waive argument that in order for it to approve this transaction, the Commission must regulate Tan Tar A State Road, LLC (“Tan Tar A”), the entity that would sell water to Confluence Rivers.

In support of this *Recommendation*, Staff states as follows:

1. On July 1, 2022, Confluence Rivers filed an *Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”) requesting a Certificate of Convenience and Necessity (“CCN”) authorizing it to install, own, acquire, construct, operate, control, manage, and maintain certain water system assets currently served by Tan Tar A in Camden County, Missouri. Tan Tar A currently distributes water at no charge to approximately 400 residential and non-residential customers that it receives at no cost from KK Water Supply.<sup>1</sup> Confluence Rivers further

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<sup>1</sup> Application, § 11 and Confluence Rivers’ responses to Staff DR30 and DR32.

requests authorization to acquire the Tan Tar A assets described in the Application. However, as stated below in paragraph six, these assets are not described in the Application.

2. Also in its Application, Confluence Rivers requests a waiver of the 60 day notice requirements of 20 CSR 4240-4.017(1). Confluence Rivers verified that in the prior 150 days, it had no Commission communication regarding any issue likely to be substantive in this case. Staff does not oppose this request.

3 The Commission does not currently regulate KK Water Supply or the Tan Tar A system. Confluence Rivers is a regulated water and sewer utility providing service in Missouri.

4. On July 6, 2022, the Commission ordered Staff to file a recommendation regarding Confluence Rivers' application, or a request for additional time, by August 23, 2022. Staff requested and received an extension of time, and its recommendation is due October 24, 2022. No parties sought to intervene in the case, and to date, the Commission has not received any public comments regarding this matter.

5. Attached to Confluence's Application is a purchase agreement between Central States Water Resources ("CSWR"), Confluence Rivers' parent company, and Tan Tar A. CSWR proposes to purchase the distribution systems (which consists mostly of underground piping) servicing residential neighborhoods along Highway KK near the Margaritaville Lake Resort in Osage Beach. Under this prospective arrangement, Tan Tar A will retain the distribution system serving the Margaritaville Lake Resort,<sup>2</sup> which it owns, in addition to three wells and storage tanks.<sup>3</sup> Confluence Rivers writes in

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<sup>2</sup> Application, §§ 5, 12.

<sup>3</sup> That Tan Tar A will retain wells and storage tanks was communicated via an email from CSWR to Staff.

paragraph 13 of its Application that CSWR plans to assign its rights under the purchase agreement to Confluence Rivers at closing.

6.     \*\* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] \*\* Staff

cannot evaluate the proposed transaction without a description of what assets will be transferred. Therefore, Staff recommends that Confluence Rivers be ordered to provide a list of assets to be transferred.

7.     Confluence Rivers states in paragraph five of its Application that it proposes “to acquire all or substantially all of the water system assets (excepting the Margaritaville Lake Resort) of the currently unregulated systems of Tan Tar A State Road, LLC.” However, because Tan Tar A proposes to retain ownership of the distribution system serving the Margaritaville Lake Resort, in addition to the system’s wells and storage tanks, this statement does not appear to be accurate. Staff recommends that the Commission order Confluence Rivers to clarify this statement.

8.     \*\* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. \*\* Staff cannot evaluate the proposed transaction without

understanding the parameters of the proposed easement. Therefore, Staff recommends that Confluence Rivers be ordered to clarify what the Eaglewoods Subdivision easement would be.

9. KK Water Supply is not a legal entity registered with the Missouri Secretary of State. Staff confirmed through e-mails and telephone conversations with Confluence Rivers and Department of Natural Resources (“DNR”) personnel that KK Water Supply is the name of the water system given by the owner on the drinking water DNR permit. DNR personnel stated that such fictitious names are allowed under its rules. From discussions with counsel for Confluence Rivers, it seems that KK Water Supply may be the fictitious name for three wells owned by Tan Tar A.

10. Staff received through the data request (“DR”) process a copy of the wholesale water supply agreement between Tan Tar A and Confluence Rivers.

\*\* [REDACTED]

[REDACTED].<sup>4</sup> \*\* However, Staff has not received a copy of any agreement obligating KK Water Supply (the source of the water) to provide water to Confluence River’s prospective Osage Beach customers.

11. \*\* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. \*\* \_Staff recommends that the Commission order

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<sup>4</sup> Confluence Rivers’ response to Staff DR30.

Confluence Rivers to clarify whether the wholesale water agreement described in paragraph ten, above, is the agreement discussed in paragraph 9C of the purchase agreement. If it not the agreement, Staff recommends that the Commission order Confluence Rivers to produce a copy of the agreement obligating KK Water Supply to supply water to Confluence Rivers' proposed Osage Beach customers. Staff also requests clarification why a water services agreement is a condition precedent for Tan Tar A to close, but it is not a condition precedent for Confluence Rivers to close.

12. \*\* [REDACTED]

[REDACTED] . \*\* Staff is unsure how Confluence Rivers' prospective Osage Beach customers will receive water service if the parties cannot enter into a wholesale water agreement at the time of closing. Staff recommends that the Commission order Confluence Rivers to clarify how its prospective customers will receive water in the event it and Tan Tar A have not entered into a wholesale water agreement at the time of closing.

13. Staff is not opposed to this transaction in principle. However, for all the reasons stated above, Staff is concerned how Confluence Rivers proposes to ensure that its prospective customers in Osage Beach will receive a safe and adequate supply of water. Additionally, Staff is not waiving argument that to sell water to Confluence Rivers, Tan Tar A must be regulated by the Commission.

**WHEREFORE**, Staff respectfully submits this *Staff Recommendation* for the Commission's information and consideration, and recommends that the Commission order Confluence Rivers to produce documents and clarifications consistent with this *Staff Recommendation*.

Respectfully submitted,

**/s/ Karen E. Bretz**

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**CERTIFICATE OF SERVICE**

I certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 24th day of October, 2022.

**/s/ Karen E. Bretz**