

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

In the Matter of the Application of Confluence Rivers )  
Utility Operating Company, Inc., for Authority to ) **File No. WA-2019-0299**  
Acquire Certain Water and Sewer Assets and for a )  
Certificate of Convenience and Necessity )

**STAFF’S STATEMENTS OF POSITION**

**COME NOW** Staff of the Missouri Public Service Commission (“Staff”), and files its *Staff’s Statements of Position*. On September 13, 2019 the Commission ordered the parties to file a list of issues, order of witnesses, and order of cross-examination and opening by September 30, 2019.

**1. Should the Commission find that Confluence Rivers Utility Operating Company, Inc.’s (“Confluence Rivers”) acquisition of Port Perry Service Company’s (“Port Perry”) water and wastewater assets and certificates of convenience and necessity are not detrimental to the public interest, and approve the transaction?**

**Staff Position:** Yes. The transfer of Port Perry’s water and wastewater assets and CCNs to Confluence Rivers would not be detrimental to the public interest, and therefore, the Commission must approve this acquisition.<sup>1</sup> Confluence Rivers and Port Perry have executed an asset purchase agreement for Confluence Rivers to purchase the utility assets and their accompanying CCNs.<sup>2</sup> Although the systems are in compliance

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<sup>1</sup> “The Commission may not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest.” *State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz*, 596 S.W.2d 466, 468 (Mo. E.D. 1980) (citing *State ex rel. City of St. Louis v. Public Service Commission of Missouri*, 73 S.W.2d 393, 400 (Mo. Banc 1934)).

<sup>2</sup> Direct Testimony of Confluence Rivers Witness Josiah Cox, pgs. 11-12.

with the Missouri Department of Natural Resources regulations, improvements will likely be needed to maintain compliance and good operations and to preserve the assets' normal life.<sup>3</sup> Confluence's proposed improvements for the water system include installing chlorine and remote monitoring equipment, improving road access, repairing the well house, and overhauling the backup wellhead. Its proposed improvements to the wastewater system include replacing the sprinkler control system and some sprinkler heads, repairing fencing, and brush removal. Staff reviewed CRU's capital improvement plan for both systems; while it does not take a position or make a recommendation at this time regarding their prudence or costs,<sup>4</sup> it is Staff's position that the scope and costs of these proposed repairs and upgrades are not unreasonable.<sup>5</sup>

Confluence Rivers is an affiliate of Central States Water Resources, Inc., which owns 13 water systems and 22 wastewater systems in Missouri and Arkansas.<sup>6</sup> Confluence Rivers, through its parent company, has the necessary technical, managerial, and financial capabilities to acquire and operate the systems and ensure that they provide safe and adequate service.<sup>7</sup> Further, Confluence Rivers' proposal to adopt Port Perry's existing tariffs, rates,<sup>8</sup> and charges is reasonable. Any future request to increase customer rates will be reviewed by Staff; at that time, Staff will audit the books and records of Confluence Rivers, along with the managerial and operational aspects of the Company,

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<sup>3</sup> Direct Testimony of Staff Witness Natelle Dietrich, Confidential Schedule ND-d2, pgs. 3-4; Cox Direct Testimony, pgs. 12-13; and Direct Testimony of Confluence Rivers Witness Todd Thomas, pgs. 4-10.

<sup>4</sup> Surrebuttal Testimony of Staff Witness David Roos, pgs. 2-3.

<sup>5</sup> *Id.* at pg. 3.

<sup>6</sup> Cox Direct Testimony, 3-6.

<sup>7</sup> Dietrich Direct Testimony, Confidential Schedule ND-d2, 4-5; Cox Direct Testimony, 8-9.

<sup>8</sup> Cox Direct Testimony, 13-14.

to ensure it is providing safe and adequate service at a just and reasonable rate. Any decision on future rates would ultimately be one made by this Commission.<sup>9</sup> Therefore, the proposed transaction is not detrimental to the public interest and should be approved.

**2. If so, should the Commission condition its approval of Confluence Rivers' acquisition of Port Perry and, if so, what should the conditions be?**

**Staff Position:** Should the Commission find that the proposed transaction is not detrimental to the public interest, Staff recommends the Commission issue an order containing the following actions and conditions:

1. Authorize Port Perry to sell and transfer utility assets to Confluence Rivers, and transfer the CCN's currently held by Port Perry to Confluence Rivers effective upon closing of the assets;
2. Require Confluence Rivers to file adoption notice tariff sheets for each tariff, water and sewer, currently in effect for Port Perry, as 30-day filings within ten (10) days after closing on the Confluence Rivers assets;
3. Upon closing on the water and sewer systems, authorize Port Perry to cease providing service, and authorize Confluence Rivers to begin providing service, on an interim basis, the existing rates, rules and regulations as outlined in Port Perry's water tariff and sewer tariffs, until the effective date of respective adoption notice tariff sheets, as recommended above;
4. Approve depreciation schedules for Confluence Rivers, as described and shown on pages 10 and 11 of Schedule ND-d2 of the Direct Testimony of

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<sup>9</sup> Surrebuttal Testimony of Staff Witness Kim Bolin, pg. 4.

Staff Witness Natelle Dietrich, and order Confluence Rivers to depreciate its plant accounts for the appropriate systems as specified by the depreciation schedules;

5. Require Confluence Rivers to ensure adherence to Commission Rule 20 CSR 4240-13 with respect to the Port Perry customers;
6. Require Confluence Rivers to provide an example of its actual communication with Port Perry's customers regarding its acquisition and operations of the system assets, and how customers may reach Confluence Rivers regarding water and sewer matters, within ten (10) days after closing on the assets;
7. Prior to its first billing, require Confluence Rivers to distribute to Port Perry customers an informational brochure detailing the rights and responsibilities of the utility and customers regarding its water and sewer service, consistent with the requirements of Commission Rule 20 CSR 4240-13.040(2)(A-L) within ten (10) days after closing on the assets;
8. Require Confluence Rivers to provide Staff's Customer Service Department a sample of ten (10) billing statements of bills issued to the Port Perry customers within thirty (30) days of such billing;
9. Require Confluence Rivers to provide adequate training for the correct application of rates and rules to all customer service representatives, including those employed by contractors, prior to the customers receiving their first bill from Confluence Rivers;

10. Require Confluence Rivers to file notice in this case once Staff recommendations regarding customer communications and billing, listed above, have been completed; and
11. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the transfers of assets or the CCNs to Confluence Rivers, including past expenditures or future expenditures related to providing service in the applicable service area, in any later proceeding.

Respectfully submitted,

**/s/ Karen E. Bretz**

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### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 30th day of September, 2019.

**/s/ Karen E. Bretz**