

**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**

**COMES NOW** Staff of the Missouri Public Service Commission (“Staff”), and files its *Staff’s Statements of Position*.

**1. What is the net book value of the Port Perry Service Company’s (“Port Perry”) water and wastewater assets?**

**Staff’s Position:** The parties agree that the assets’ net book value as of December 31, 2019 is \$77,936 (\$20,070 for the water assets and \$57,866 for the sewer assets).<sup>1</sup>

**2. Given the answer to the first question, 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. Given that Confluence does not request recovery of an acquisition premium,<sup>2</sup> the calculated net book value of \$77,936 for the Port Perry assets does not cause the transfer of Port Perry’s water and wastewater assets and CCNs to

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<sup>1</sup> *Stipulation and Agreement as to Net Book Value* (Apr 9, 2020) and *Partial Objection of Lake Perry Lot Owners Association to Stipulation and Agreement as to Net Book Value* (Apr 10, 2020). The Association wrote that it “is willing to agree to and waive its right to call, examine and cross-examine witnesses regarding the calculation and actual values for the net book value for the Port Perry assets as of December 31, 2019 of \$20,070 for water and \$57,866 for sewer (“net book value”). It is also willing to agree that the net book value amounts will be used as the starting amounts for the calculation of rate base (with regard to the Port Perry assets) in Confluence River’s next rate case.” *Partial Objection of Lake Perry Lot Owners Association to Stipulation and Agreement as to Net Book Value*, P. 1 (Apr 10, 2020).

<sup>2</sup> *Waiver Concerning Acquisition Premium* (Mar 4, 2020) and *NBV Rebuttal Testimony of Josiah Cox*, 4:6-18 (Apr 28, 2020).

Confluence Rivers to be detrimental to the public interest, and therefore, the Commission must approve this acquisition.<sup>3</sup>

Confluence will continue to charge the existing Commission-approved 2002 rates under Port Perry's current tariff.<sup>4</sup> Any rate increase requested in the future would be based on net book value, using \$77,936 as a starting point.<sup>5</sup> Net book value of assets does not change upon a change of utility ownership;<sup>6</sup> therefore Staff would recommend this net book value irrespective of a Port Perry request for new rates, or as in this case, a request to transfer the assets. Further, Staff continues to recommend that Confluence has the financial capability to purchase the Port Perry systems.<sup>7</sup>

Because the proposed transaction is not detrimental to the public interest, the Commission must approve it.

Respectfully submitted,

**/s/ Karen E. Bretz**

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<sup>3</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>4</sup> *NBV Rebuttal Testimony of Josiah Cox*, 2:12-21 (Apr 28, 2020).

<sup>5</sup> *Direct Testimony of Kimberly K. Bolin*, 3:18-4:5 (Apr 14, 2020) and *NBV Rebuttal Testimony of Josiah Cox*, 2:1-11 (Apr 28, 2020). The Association agrees that this will be a starting point, see footnote 1.

<sup>6</sup> *Direct Testimony of Kimberly K. Bolin*, 3:5-9 (Apr 14, 2020).

<sup>7</sup> *Direct Testimony of Kimberly K. Bolin*, 6:4-7 (Apr 14, 2020). See also *NBV Rebuttal Testimony of Josiah Cox*, 3:20-4:10 (Apr 28, 2020).

**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 18<sup>th</sup> day of May, 2020.

**/s/ Karen E. Bretz**