

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 8<sup>th</sup> day of December 2022.

In the Matter of the Application of )  
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**

**ORDER APPROVING ACQUISITION OF ASSETS AND GRANTING A  
CERTIFICATE OF CONVENIENCE AND NECESSITY**

Issue Date: December 8, 2022

Effective Date: December 18, 2022

On July 1, 2022,<sup>1</sup> Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers) filed an application (Application) that seeks approval for the acquisition of, and a certificate of convenience and necessity (CCN) regarding Tan Tar A State Road, LLC (Tan Tar A), an unregulated existing water system located in Camden County. Confluence Rivers also requests waiver of the Commission's rule requiring sixty days' notice prior to filing an application. Confluence Rivers proposes to purchase substantially all of the water system assets of Tan Tar A. The subject assets consists mostly of underground piping in a residential neighborhood now known as Margaritaville Subdivision, formerly known as Tan-Tar-A Estates.

On July 6, Confluence Rivers filed an amendment to its application which corrected a statement in the Application regarding the existence of Tan Tar A's water rates. On August 8, Confluence Rivers filed a further amendment, substituting appendix F-C. The

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<sup>1</sup> All dates refer to 2022.

substitute appendix is a corrected feasibility study, which is marked confidential and will not be discussed further. Under consideration by the Commission is the Application as amended on July 6 and August 8.

The Commission issued notice of the Application and set a deadline for the filing of applications to intervene, but no applications to intervene were received. The Commission also ordered Staff to file a recommendation. On November 18, Staff recommended the Commission grant Confluence Rivers the requested CCN subject to conditions related to record-keeping, notice, customer service, and the use of Confluence Rivers' currently ordered depreciation rates.

On November 21, Confluence Rivers filed an acceptance of Staff's recommendation, including a specific notation of acceptance of the recommended conditions. No other responses or objections to the Application or to Staff's recommendation were received. No party requested a hearing. The requirement for a hearing is met when the opportunity for a hearing has been provided.<sup>2</sup> Thus, the Commission will rule on the application.

Confluence Rivers is a certificated and regulated water and sewer utility providing service to customers in Missouri. Central States Water Resources, LLC is the parent company of Confluence Rivers. Confluence Rivers provides water service to approximately 4,300 customers and sewer service to approximately 4,400 customers across several counties.

Section 393.170, RSMo (Supp. 2021), in subsection 2, requires Confluence Rivers to have a CCN, which is granted by the Commission, prior to providing water service in

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<sup>2</sup> *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

the Margaritaville Subdivision service area. Subsection 393.170.3 requires that the Commission determine that the services are “necessary or convenient for the public service.” The term "necessity" does not mean "essential" or "absolutely indispensable," but rather that the proposed project "would be an improvement justifying its cost," and that the inconvenience to the public occasioned by lack of the proposed service is great enough to amount to a necessity.<sup>3</sup> It is within the Commission's discretion to determine when the evidence indicates the public interest would be served by the award of the certificate.<sup>4</sup> Subsection 393.170.3 permits the Commission to impose the conditions it deems reasonable and necessary for the grant of a CCN.

Confluence Rivers retained Flinn Engineering to evaluate the system. The Tan Tar A distribution system that is the subject of the Application was installed in 1970 and serves approximately 400 customers. Confluence Rivers has identified several improvements for the water system, but these plans are preliminary until after Confluence Rivers owns and operates the system. Tan Tar A does not presently charge for water service, and some customer information required research. Confluence Rivers stated that all customer information has now been identified. Confluence Rivers is acquiring this system through access to capital from its parent company.

Confluence Rivers proposes to apply its existing approved customer charge at its nearby Osage water system for the Tan Tar A service area. The rate would be a monthly flat rate charge of \$24.76 for 5/8” meters. Confluence Rivers also proposes to utilize the rules governing water service currently found in its water tariff P.S.C. MO No. 24 (Osage).

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<sup>3</sup> *State ex rel. Intercon Gas, Inc., v. Pub. Serv. Commission of Missouri*, 848 S.W.2d 593, 597 (Mo. App. 1993), citing *State ex rel. Beaufort Transfer Co. v. Clark*, 504 S.W.2d 216, 219 (Mo. App. 1973), citing *State ex rel. Transport Delivery Service v. Burton*, 317 S.W.2d 661 (Mo. App. 1958).

<sup>4</sup> *State ex rel. Ozark Electric Coop. v. Public Service Commission*, 527 S.W.2d 390, 392 (Mo. App. 1975).

The Tan Tar A distribution system does not currently have any meters. Confluence Rivers is investigating the economics of installing individual meters, but no plans have been finalized.

The Commission may grant a CCN to operate after determining that the construction and operation are either “necessary or convenient for the public service.”<sup>5</sup> The Commission has articulated specific criteria when evaluating applications for utility CCNs as follows:

- (1) there must be a need for the service;
- (2) the applicant must be qualified to provide the proposed service;
- (3) the applicant must have the financial ability to provide the service;
- (4) the applicant's proposal must be economically feasible; and
- (5) the service must promote the public interest.<sup>6</sup>

These criteria are known as the Tartan Factors.<sup>7</sup>

There is a need for the service because the customers of Tan Tar A are already receiving water service and will continue to need that service. Confluence Rivers is qualified to provide the service as it is an existing water utility subject to the Commission’s jurisdiction. Confluence Rivers has the financial ability to operate the system, as no external financing is needed and Confluence Rivers has demonstrated historically that it has adequate resources to operate utility systems it owns.

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<sup>5</sup> Section 393.170.3, RSMo (Supp. 2021).

<sup>6</sup> *Report and Order*, In re Application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a Certificate of Convenience and Necessity, Case No. GA-94-127, 3 Mo. P.S.C. 3d 173 (September 16, 1994), 1994 WL 762882, \*3 (Mo. P.S.C.).

<sup>7</sup> *In re Tartan Energy Company*, 3 Mo.P.S.C. 173, 177 (1994).

The proposed transaction is economically feasible due to its being financially feasible, as well as Confluence Rivers' ability to draw resources from its parent company. The proposal promotes the public interest as demonstrated by positive findings in the first four Tartan Factors. Moreover, the customers will experience enhanced service with the proposed improvements to be made by Confluence Rivers.

The Commission finds that Confluence Rivers' ownership and operation of the Tan Tar A water system is necessary and convenient to the public service of the Margaritaville Subdivision customers. The Commission concludes that with the unopposed conditions proposed by Staff the factors for granting a CCN to Confluence Rivers are reasonable. The Commission will grant Confluence Rivers a CCN to provide water service within the proposed service area subject to the conditions in Staff's memorandum.

Confluence Rivers also seeks a waiver of the 60-day notice requirement of Commission Rule 20 CSR 4240-4.017(1)(D). Confluence Rivers certifies that it has had no communication with the office of the Commission regarding any substantive issue likely to be in this case during the preceding 150 days.

Finally, Confluence Rivers requested that this order be issued with a 10-day effective date to accommodate an end-of-the-year transaction due to tax, accounting, and future rate case considerations. No party objected to this request. The Commission finds the unopposed request reasonable, and will grant it. Due to Confluence Rivers' unopposed request and the economic and tax implications at stake, the Commission will make this order effective in less than 30 days.

**THE COMMISSION ORDERS THAT:**

1. Confluence Rivers' request for waiver from the 60-day notice requirement of Commission rule 20 CSR 4240-4.017(1)(D) is granted.

2. Confluence Rivers is granted authority to acquire substantially all of the water utility assets of Tan Tar A as described in the Application.

3. Upon closing, Confluence Rivers is granted a CCN to install, acquire, build, construct, own, operate, control, manage, and maintain a water system in the areas currently served by Tan Tar A and designated in the Application, subject to the conditions and requirements contained in Staff's recommendation, as follows:

a) Confluence Rivers' shall apply the rates and the rules governing water service currently found in Confluence Rivers' water tariff P.S.C. MO No. 24 (Osage);

b) Confluence Rivers shall submit tariff sheets, to become effective before closing on the assets, to include a service area map, service area written description, rates and charges;

c) Confluence Rivers shall notify the Commission of closing on the assets within five days after such closing;

d) If closing on the water system assets does not take place within thirty days following the effective date of this order, Confluence Rivers shall submit a status report within five days after this thirty-day period regarding the status of closing, and additional status reports within five days after each additional thirty day period, until closing takes place, or until Confluence Rivers determines that the transfer of the assets will not occur;

- e) If Confluence Rivers determines that a transfer of the assets will not occur, then Confluence Rivers shall notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made. In such case, Confluence Rivers shall submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the service area in its water tariff, and rate and charges sheets applicable to customers in the service area in the water tariff;
- f) Confluence Rivers shall keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
- g) Confluence Rivers shall adopt Confluence Rivers' current depreciation rates in regards to the acquired assets;
- h) Confluence Rivers shall provide training to its call center personnel regarding rates and rules applicable to the water customers in the acquired area;
- i) Confluence Rivers shall distribute to the customers in the acquired area an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty days of closing on the assets;
- j) Confluence Rivers shall provide to the Customer Experience Department (CXD) Staff an example of its actual communication with the Tan Tar A customers regarding its acquisition and operations of the water,

and how customers may reach Confluence Rivers, within ten days after closing on the assets;

k) Confluence Rivers shall provide to the CXD Staff and the Manager of the Staff Water, Sewer and Steam Department a sample of five billing statements from the first three month's billing for the acquisition within ten (10) days of the billings;

l) Confluence Rivers shall file notice in this File No. outlining completion of the above-recommended training, customer communications, notifications and billing for the acquisition within ten days after such communications and notifications;

m) Confluence Rivers shall include the Tan Tar A water customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets; and,

n) Confluence Rivers shall file notice in this File No. once conditions a) through m) above have been completed.

4. Upon closing of the asset transfer, Confluence Rivers is authorized to begin providing service.

5. The Commission makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

6. This order shall become effective on December 18, 2022.





**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive style.

Morris L. Woodruff  
Secretary

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

Hatcher, Senior 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 8<sup>th</sup> day of December, 2022.**



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

**MISSOURI PUBLIC SERVICE COMMISSION**

**December 8, 2022**

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

**Missouri Public Service  
Commission**

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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.