

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 19th day of January, 2023.

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc., for)
Certificates of Convenience and Necessity to) **File No. WA-2023-0092**
Provide Water and Sewer Service in an Area)
of St. Charles County, Missouri (Stone Ridge)
Meadows))

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

Issue Date: January 19, 2023

Effective Date: February 18, 2023

On September 9, 2022,¹ Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers) filed applications that sought permission and approval to acquire all or substantially all of the water and sewer utility assets currently owned by the Stone Ridge Meadows Home Owners Association, Inc. (Stone Ridge) and for certificates of convenience and necessity (CCN) to install, own, operate, maintain, control, and manage Stone Ridge's water and sewer systems, which are currently not regulated by the Commission. Stone Ridge provides water and sewer services to approximately 18 single family homes in St. Charles County, Missouri.

Confluence Rivers' applications regarding the Stone Ridge water and sewer systems were assigned File No. WA-2023-0092 and File No. SA-2023-0093, respectively. On September 15, the Commission consolidated the two cases and designated File No. WA-2023-0092 as the lead case.

¹ Unless otherwise noted, all dates refer to the year 2022.

In its applications to the Commission, Confluence Rivers requested waiver of the 60-day notice of case filing requirement.²

The Commission issued notice and set a deadline for intervention requests, but received no requests to intervene. On December 22, the Staff of the Commission (Staff) filed its recommendation to approve the acquisition of the water and sewer systems and grant CCNs, subject to certain conditions. On January 3, 2023, Confluence Rivers filed a response to Staff's recommendation in which it stated that it had no objection to Staff's proposed conditions.

No party requested a hearing and the requirement for a hearing is met when the opportunity for a hearing has been provided.³ Thus, the Commission will make a determination based on the verified applications, Staff recommendation, and the response to Staff's recommendation filed by Confluence Rivers.

Confluence Rivers is a "water corporation," a "sewer corporation," and "public utility" as those terms are defined in Section 386.020, RSMo (Supp. 2022), and is subject to the jurisdiction of the Commission. Confluence Rivers currently provides water service to approximately 4,400 customers and sewer service to approximately 4,600 customers in service areas throughout Missouri pursuant to CCNs previously granted by the Commission.

Stone Ridge is a Missouri nonprofit corporation that provides water and sewer service to approximately 18 residential connections (single family homes) in St. Charles County, Missouri. On March 28, Central States Water Resources, Inc. (CSWR) entered

² Commission Rule 20 CSR 4240-4.017(1).

³ *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

into an *Agreement for Sale and Continued Operation of Utility System* with Stone Ridge in which CSWR would purchase all or substantially all of the water and sewer system assets of Stone Ridge, then assign its rights under the agreement to Confluence Rivers at closing. Confluence Rivers is a subsidiary of CSWR.

Subsection 393.170.2, RSMo (Supp. 2022), requires Confluence Rivers to have CCNs, granted by the Commission, prior to providing water or sewer service in the Stone Ridge service area.

The Commission may grant a water and sewer corporation a CCN to operate after determining that the construction and operation are “necessary or convenient for the public service.”⁴ 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.⁵ 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.⁶ Subsection 393.170.3 also permits the Commission to impose the conditions it deems reasonable and necessary for the grant of a CCN.

The Commission has stated five criteria that it uses to determine necessity or convenience:

1. There must be a need for the service;
2. The applicant must be qualified to provide the service;

⁴ Section 393.170.3, RSMo (Supp. 2021).

⁵ *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).

⁶ *State ex rel. Ozark Electric Coop. v. Public Service Commission*, 527 S.W.2d 390, 392 (Mo. App. 1975).

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.⁷

On December 22, Staff filed its recommendation with an attached memorandum. The recommendation concludes that Confluence Rivers' applications satisfy these standards, which are often referred to as the "Tartan" criteria or factors.

In its applications, Confluence Rivers states that there is no other same or similar water or sewer services available in the area served by Stone Ridge. Staff concludes that the existing Stone Ridge customers have a current and future desire and need for water and sewer services. Staff advises that, as an existing water and sewer corporation providing service to over 4,400 water customers and over 4,600 sewer customers, Confluence Rivers is qualified to provide the services.

Staff reports that Confluence Rivers anticipates no need for external financing to acquire the Stone Ridge systems and has the financial capacity to acquire the systems. The feasibility of Confluence Rivers' providing water and sewer service in the acquired service area is supported by Confluence Rivers demonstrating, over several years, that it has adequate resources to operate the utility systems it owns, to acquire new systems, to undertake construction of new systems and expand existing systems, to plan and undertake scheduled capital improvements, and to timely respond and resolve emergency issues when such situations arise.

Staff reports that the improvements proposed by Confluence Rivers would lead to enhanced service for the current Stone Ridge customers, and Confluence Rivers has

⁷ *In re Tartan Energy Co.*, 3 Mo. P.S.C. 173, 177 (1994).

demonstrated the ability to provide safe and adequate service. Staff concludes that the public interest would be promoted by Confluence Rivers taking over operation of the Stone Ridge water and sewer systems.

The Commission finds that there is a need for water and sewer service in the Stone Ridge subdivision service area and Confluence Rivers is qualified to provide that service. The Commission finds that Confluence Rivers has the financial ability to acquire the Stone Ridge water and sewer systems and adequately operate them in the future and that it is economically feasible for Confluence Rivers to do so. The Commission further finds that granting the CCNs, with the reasonable and necessary conditions proposed by Staff and agreed to by Confluence Rivers, will promote the public interest.

The Commission finds that Confluence Rivers' ownership and operation of the Stone Ridge water and sewer systems is necessary and convenient for the public service. Therefore, the Commission will grant Confluence Rivers CCNs for the service areas currently served by those systems. No objections to Staff's recommended conditions were received, and the Commission finds that Staff's conditions are reasonable and necessary. Therefore, the Commission will grant the CCNs, subject to those conditions.

Confluence Rivers' applications also asked the Commission to waive the 60-day notice requirement in 20 CSR 4240-4.017(1). The Commission finds good cause exists for waiver based on Confluence Rivers' verified declaration that it had no communication with the Commission regarding substantive issues likely to arise in this file within 150 days before filing its applications.

THE COMMISSION ORDERS THAT:

1. The 60-day notice of case filing requirement is waived for good cause found, pursuant to 20 CSR 4240-4.017(1)(D).
2. Confluence Rivers is granted permission to acquire all or substantially all of the water and sewer utility assets of Stone Ridge pursuant to an *Agreement for Sale and Continued Operation of Utility System* dated March 28, 2022, between Stone Ridge and CSWR.
3. Upon closing, Confluence Rivers is granted certificates of convenience and necessity to provide water and sewer service in the Stone Ridge service area, subject to the conditions contained in Staff's recommendation, as set out below:
 - a. Confluence Rivers shall charge customers \$27.50/month for water service, subject to the rules governing water service currently found in Confluence Rivers' water tariff P.S.C. MO No. 12;
 - b. Confluence Rivers shall charge customers \$27.50/month for sewer service, subject to the rules governing sewer service currently found in Confluence Rivers' sewer tariff P.S.C. MO No. 13;
 - c. Confluence Rivers shall submit tariff sheets, to become effective before closing on the assets, to include a revised service area map, service area written description, rates and charges;
 - d. Confluence Rivers shall notify the Commission of closing on the assets within five days after such closing;
 - e. If closing on the water and sewer system assets does not take place within 30 days following the effective date of this Commission order, Confluence Rivers shall submit a status report within five days after this 30-day period regarding the status of closing and additional status reports within five days after each additional 30-day period until closing takes place, or until Confluence Rivers determines that the transfer of the assets will not occur;

- f. If Confluence Rivers determines that a transfer of the assets will not occur, 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, and Confluence Rivers shall submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the Stone Ridge service area in its water and sewer tariffs, and rate and charges sheets applicable to customers in the Stone Ridge service area in both the water and sewer tariffs;
- g. Confluence Rivers shall keep its financial books and records for plant-in-service and operating expenses in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts;
- h. Confluence Rivers shall adopt the depreciation rates ordered for it in File No. WA-2020-0053 for the Stone Ridge assets;
- i. Confluence Rivers shall provide training to its call center personnel regarding rates and rules applicable to the water and sewer customers in the acquired area;
- j. Confluence Rivers shall distribute to the Stone Ridge customers an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rules in 20 CSR 4240-13 within 30 days of closing on the assets;
- k. Within ten days after closing on the assets, Confluence Rivers shall provide to Staff's Customer Experience Department (CXD) an example of its actual communication with the Stone Ridge customers regarding its acquisition and operations of the water and sewer system assets, and how customers may reach Confluence Rivers;
- l. Confluence Rivers shall provide to the CXD staff a sample of five billing statements from the first three month's billing of the former Stone Ridge customers within ten days of the billings;
- m. Confluence Rivers shall file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing within ten days after such communications and notifications are completed;

- n. After closing on the Stone Ridge assets, Confluence Rivers shall include, on an ongoing basis, the former Stone Ridge water and sewer customers in its established monthly reporting to the CXD on customer service and billing issues; and
 - o. Confluence Rivers shall file notice with the Commission once the above conditions have been completed.
4. Confluence Rivers is authorized to take other actions as may be deemed necessary and appropriate to consummate the transactions proposed in the applications.
5. The Commission makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters pertaining to the granting of the CCNs to Confluence Rivers, including proposed expenditures related to the certificated service area as discussed in the body of this order, in any later proceeding.
6. This order shall become effective on February 18, 2023.



BY THE COMMISSION

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

Morris L. Woodruff
Secretary

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

Seyer, 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 19th day of January, 2023.**





Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

January 19, 2023

File/Case No. WA-2023-0092

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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**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.