

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

In the Matter of Confluence Rivers Utility	)	
Operating Company, Inc.'s Request for	)	<b><u>Case No. WR-2023-0006</u></b>
Authority to Implement a General Rate	)	Tariff Nos. YW-2023-0113
Increase for Water Service and Sewer	)	and YS-2023-0114
Service Provided in Missouri Service	)	
Areas	)	

**STAFF'S STATEMENT OF DISCOVERY DISAGREEMENTS AND CONCERNS**

**COMES NOW** the Staff of the Missouri Public Service Commission and for its *Statement of Discovery Disagreements and Concerns*, states as follows:

1. On March 9, Staff requested a special Discovery Conference and presented a list of concerns. The Commission accordingly set a special Discovery Conference for March 15. The parties met on March 13 and Staff thereafter cancelled the requested special Discovery Conference in reliance upon the Company's promise that all outstanding queries would be resolved within two days. However, they have not been resolved as promised.

2. Staff's lingering concerns are as follows:

A. There are still issues with missing responses from last week's promise by Confluence regarding the Round Two DR Response deficiencies that were part of the requested special Discovery Conference. From Reece Gilmore's email ("Confluence Rivers – Lisa of DRs for Update Through 31 January 2023"): "I will be following up on your other questions about the supplemental DR responses from Staff's discovery motion today (Thursday 3/16/23) and should be able to provide you a clearer picture by tomorrow (3/17/2023) of where we stand." March 16 and 17 are not within two days of March 13.

B. With respect to Round Three DR Response deficiencies, Aaron Silas stated in his recent email (“Confluence Rivers Responses to DRs 94-132”): “Our team is working to provide supplemental responses by mid-week next week.” The proposed date is not within two days of March 13.

C. In regards to the supplemental responses for the Round Two DRs for which Staff had requested a special Discovery Conference, there are still some issues with the responses, specifically:

**DR 66 – Part 3** - For the information provided in the spreadsheet – Staff needs these costs by tariffed rate district and a reference to the date recorded in GL/invoice number. Staff assumes the invoices have already been provided in response to DR 29, however Staff is uncertain which ones pertain to this. Staff wonders whether column A (Fixed asset number) is also the USOA account number? Please supplement.

On March 17, the Company advised Staff: “The accounting team is working to supplement our initial response with a more detailed document; this will be supplemented to EFIS by EOD today or Monday at the latest.”

**DR 67** – Company provided the docket numbers, can Staff also receive the last dates that the other states received rate increases – or is that part of Company’s objection?

**DR 81** – Staff is missing a job description for Clare L. Donovan. Also, Staff will need responses to the following questions that were in the *Request for Discovery Conference*: “For those employees that do not have a job description/job duties – please explain why they do not. Please explain why

some job descriptions/duties are detailed and others are summaries. Are these job descriptions/job duty documents what you provide to employees to demonstrate that these are the duties that they are to complete and are to be evaluated on?

**DR 82** – a clarification question: Are all overtime hours paid the same or are there different “types” of overtime that have different pay rates? Staff had asked for the overtime by type in the discovery pleading.

**DR 83** – Staff still needs copies of the invoices listed in the discovery pleading: 10/21, 12/21, 1/22, 2/22, 4/22, and 6/22.

D. Round Three DR Response issues.

**DR 94** – This DR deals with compliance fees. While Company provided a description of all possible fees, please provide a general schedule showing what fees apply to each system in each tariffed rate district, including primacy fees, so Staff knows what compliance costs and primacy fees are required in general for each system moving forward.

**DR 97** – This DR deals with primacy fees and the response states “Confluence Rivers began billing Port Perry residents in October 2020. There are no other service areas that collect Primacy Fees.” However, the attachment “97-2” shows primacy fees paid on behalf of other systems/tariffed rate districts. Does Confluence Rivers simply pay the primacy fees for these other systems without collection of these primacy fees from the customers of that system? If yes, please explain why Confluence Rivers does not charge customers of that system for the primacy fees that are then paid to MODNR?

**DR 98** – This DR deals with property taxes. Staff believes the wrong attachment is included in this DR response. The written response references a spreadsheet “98-2” but a spreadsheet “97-2” was provided. Please supplement this DR Response with “98-2.”

**DR 101** – This DR deals with corporate allocations. Staff requests clarification of Company’s response: “3. CSWR, LLC utilizes a fiscal year beginning January 1, which means that January is a new budget year. The new budget year includes increases to salaries, and generally includes the potential new hires budgeted. These increased salary costs would comprise the majority of any changes to the cost allocated. In addition, the overhead allocation factors are reassessed quarterly and any change in the allocation factor is implemented at the beginning of the subsequent quarter. 4. Due to budget increases, the amount of cost allocated to Missouri customers will not necessarily decrease but their allocation factor would be different. 5. N/A 6. The additional customers added as part of the January 2023 acquisitions in South Carolina do not materially change the duties or responsibilities of CSWR, LLC employees. Therefore, no new employees were added.” Are the changes to allocation factors based upon actual cost changes or budgeted cost changes?

**DR 102** – This DR deals with company-owned life insurance (COLI). The spreadsheet attachment shows an annual amount that is also on the attached invoice. Is the entire annual premium amount shown being charged to Confluence Rivers, rather than being allocated to all states that CSWR LLC has business in? If yes, please explain in detail why that entire charge is being

recorded to Confluence Rivers as opposed to being allocated amongst all states. Also, please provide the annual amount that is allocated to each tariffed rate district for Confluence Rivers per the request in part 11, which asked “Provide the cost of each COLI insurance policy that was directly charged or allocated to Confluence Rivers, by tariffed rate district from the period of October 1, 2019, through January 31, 2023. For any allocated amounts, provide the total cost of each insurance policy, the costs allocated to each CSWR LLC state and Missouri tariffed rate district, and all allocation factors (including all information for the basis for which the allocation factor was developed).” If the amount is being allocated to all states – how is that amount being allocated to each state? Please provide the allocation factors used.

**DR 103** – This DR deals with corporate allocations. Part 2 asked, “Provide each transaction, the general ledger entries, or provide the USOA account where all transactions can be found that show a quantification of the amounts recorded to each of Confluence Rivers tariffed rate districts from CSWR LLC.” If Staff wanted to see each general ledger entry by tariffed rate district for the charges that are allocated from CSWR LLC, could Staff just access those by looking at Acct 922?

**DR 113, Part 3** – This DR deals with deferred income tax. There is an attachment to the response to the DR and within that spreadsheet there is what is labeled “estimated tax – 27%.” Please provide the calculation supporting this percentage and explain why Confluence Rivers is utilizing this percentage in the spreadsheet? Is this Confluence Rivers’ effective tax rate? While the statutory tax rate for Federal is 21% and for state is 4%, please provide

Confluence River's actual effective tax rate with formulas/calculations included.

**DR 129** – This DR deals with tank painting. The Company's response to 1(a) "Confluence Rivers' plan is to schedule the remaining tanks for inspection in 2023." And the response to 2(d) and 2(e) – "d) Confluence Rivers conducted tank inspections to verify that tanks were in a condition suitable to provide safe and reliable water. e) At this time none of the inspections have led to altering the allocations or procedures." Specifically please provide the most current tank painting inspection schedule, as requested in part 1(a) for each tariffed rate district and please provide the most current "allocations and procedures" regarding tank painting that Confluence Rivers has, by tariffed rate district or in general.

**DR 130** – This DR deals with tank painting capitalization. Staff asked: "1. Separately by system and tariffed rate district, provide the date that Confluence Rivers first capitalized tank painting costs. 2. From the time of the date provided in part (1), provide the journal entries including USOA account, amount, and date that any tank painting project has been capitalized. 3. Provide the specific reference in the USOA that Confluence Rivers and/or CSWR LLC used for guidance to capitalize tank painting costs. 4. Provide all reason and rationale for Confluence Rivers and/or CSWR LLC's decision to capitalize these costs." Company's response was "1. The Company had not completed any tank painting projects as of the end of the test year, and therefore had not capitalized any tank painting expenses. 2. See response to number 1. 3. No tank painting costs were capitalized during the test year

period. 4. Confluence Rivers capitalizes tank painting costs upon completion.” This statement restricts its response to the test year, however capital expenditures included in the cost of service are not just restricted to the test year. Confluence Rivers has stated in response to part 4 that the company plans to capitalize tank painting project costs. That capitalization could be at any point in the time period being analyzed as part of this case, including having occurred prior to test year and subsequent to the last rate case – the time period for capital being considered in this case is October 1, 2019, through January 31, 2023. Please update all parts of the response contemplating any costs capitalized for at least this entire period. If the answers would not change based on the change in time period, please so state.

3. The requested information is necessary for Staff to prepare its case and to audit the Company’s compliance with applicable Missouri statutes, Commission regulations, orders, and approved stipulations. In a general rate case such as this one, all of the necessary information is in the possession of the utility. Without the cooperation of the requesting utility, Staff cannot determine whether or not a rate increase is needed or how much of an increase is actually needed. Such a situation is necessarily deeply prejudicial to the Company’s ratepayers and cannot be permitted.

**WHEREFORE**, Staff submits this Statement of Discovery Disagreement or Concern in advance of the Discovery Conference currently scheduled for March 22, 2023, at 10:00 a.m.

Respectfully submitted,

/s/ Kevin A. Thompson  
**KEVIN A. THOMPSON**  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this **17<sup>th</sup> day of March, 2023**, to all parties and/or counsels of records.

/s/ Kevin A. Thompson