

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

In the Matter of Confluence Rivers Utility            )  
Operating Company, Inc.’s Request for            )  
Authority to Implement a General Rate            )  
Increase for Water and Sewer Service            )  
Provided in Missouri Service Areas.            )

**File No. WR-2023-0006**

**NON-UNANIMOUS PARTIAL STIPULATION AND AGREEMENT**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and on behalf of itself and Confluence Rivers Utility Operating Company (“Confluence”) (collectively, the “Signatories”) presents to the Missouri Public Service Commission (“Commission”) for approval this Non-Unanimous Partial Stipulation and Agreement (“Stipulation”) commemorating certain agreements between the Signatories in this case. The Office of the Public Counsel (“OPC”), while not a signatory, has indicated it will not oppose this Stipulation. In support of this Stipulation, the Signatories respectfully state as follows:

**BACKGROUND**

1. On December 21, 2022, Confluence filed tariff sheets designed to implement a general rate increase for its water and sewer service territories, together with supporting testimony. The Commission scheduled an evidentiary hearing to begin on August 10, 2023, and to continue through August 17, 2023.<sup>1</sup>

2. The Signatories and the OPC held their first settlement conference on July 13, 2023, and have worked to determine whether a resolution of issues could be

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<sup>1</sup> Confluence simultaneously filed tariff sheets to implement a general rate increase for its sewer service territory under File No. SR-2023-0007. The Commission consolidated the filings under File No. WR-2023-0006 via Commission order on January 4, 2023.

mutually reached in advance of the evidentiary hearing. As a result of these discussions, the Signatories have agreed to a series of compromises to determine mutually acceptable resolutions to the issues as set forth in more detail below.<sup>2</sup>

### **SPECIFIC TERMS AND CONDITIONS**

3. Recommended Reports (issue 1): Confluence shall maintain the following reporting, including:

- Retain the monthly billing reports and customer usage data for the period January 1, 2021, through January 31, 2023.
- Maintain complete and accurate monthly billing reports for each consolidated water and wastewater system, beginning with February 1, 2023, through the true-up cutoff in Confluence River's next general rate proceeding, that include individual columns for:
  - Account number, customer name, customer address, billing address, Meter ID, Meter/Service Line size, the date service began, the date service ended, the usage gallons (for water service), and revenue dollars charged separately by base charge, commodity charge (for water service) and by each type of miscellaneous revenue that may have been charged.
- Record miscellaneous revenues using USOA account 470 and 532 for late fees as well as 471 and 536 for the remaining miscellaneous fee types;

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<sup>2</sup> Referencing the *Amended Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements*, filed by Staff on behalf of the parties on August 8, 2023. This Stipulation resolves Issues 1, 5, 11, 17(a), (b), and (c), 18, and 25 from that filing.

however, for each type of miscellaneous revenue, Confluence shall, going forward, delineate a special minor account within Accounts 471 and 536.

- Record its bad debt expense and net write-offs by month and by consolidated group, separately for water and sewer, as well as maintain the amounts withheld by CBE Group for payment with the associated customer account to which the information pertains.
- Maintain a general list, including the name of the system, the system type (water or wastewater), the name of the electric provider, the number of electric accounts at each water and wastewater system, the type of assets receiving service for each electric bill such as a lift station, well, lagoon, treatment plant, etc. In addition, Confluence shall maintain all electric invoices so they are readily available with detailed usage and a breakdown of all charges.
- Confluence further agrees to maintain a day-to-day collection report by consolidated rate district going forward. Additionally, Confluence, going forward, shall maintain all invoices supporting test year costs.
- Confluence shall record the revenue and expense related to primacy fees using a separate minor account designation.
- Confluence shall maintain a refund report including the date, amount, customer name, customer address and associated consolidated water/wastewater system.<sup>3</sup>

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<sup>3</sup> Exhibit 103, Direct Testimony of Jane Dhority, pg. 14, ln. 18-21; pg. 16, ln. 18-20, and pg. 18, ln. 5-9; see *also* Exhibit 125, Surrebuttal Testimony of Jane Dhority, pg. 3-5.

Confluence shall provide, in conjunction with its annual report, the CSWR general ledger and Confluence general ledger for annual surveillance, including quarterly overhead allocation factors by each affiliate with the associated supporting data for each factor (plant in service dollars, number of customer connections, and expense dollar).<sup>4</sup>

4. Rate Design/Direct Consolidation (issue 5): The Signatories agree that Confluence shall be allowed to consolidate its water systems based upon technology and infrastructure, for ratemaking purposes. The first consolidated district (Designated Water District 1) will consist of water systems that largely rely on limited infrastructure such as hydropneumatic tanks or pumps to pressurize the distribution system, and limited storage. The second consolidated district (Designated Water District 2) will consist of water systems with more significant infrastructure, such as those with ground storage tanks, standpipes, elevated storage tanks, or significant treatment beyond chlorination.

The Signatories further agree that Confluence shall be allowed to consolidate its sewer systems based upon technology and infrastructure, for ratemaking purposes. The first sewer district (Designated Sewer District 1) will consist of limited treatment technology, including but not limited to lagoons and land application systems. The second sewer district (Designated Sewer District 2) will consist of those with more advanced (and costly) treatment technologies, such as extended aeration, oxidation ditches, tertiary filtration, membrane bioreactors, biological or chemical nutrient removal, etc.

These districts are based upon the relative cost of service associated with plant in service, electricity usage, chemical usage, operator labor, and more. More limited

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<sup>4</sup> Exhibit 107, Direct Testimony of Ashley Sarver, pg. 5, ln. 19 – pg. 6, ln. 8; see a/so Exhibit 131, Surrebuttal Testimony of Ashley Sarver, pg. 28, ln. 17-22.

treatment/distribution/collection system costs are in the first designated water or sewer district, and the systems with greater costs are in the second designated district. The treatment technologies listed above are examples, and are not intended to be exhaustive. Where a system includes more advanced or costly treatment/distribution/collection infrastructure and technologies mixed with less costly infrastructure and technology, the system shall be placed in the second designated district. For example, a subdivision with two or more separate collection systems, where two different treatment technologies are employed due to upgrades not yet being completed, will be placed into the designated district that coincides with its most advanced treatment type.

Where a water or sewer system, that was initially placed in the first designated district undergoes treatment upgrades that are more reflective of the systems in the second designated district, it may be moved to the second district in a subsequent rate case, if appropriate.

For future acquisitions, the Company intends to set rates consistent with past practice and subject to the Commission's approval.

When calculating commodity rates and flat rates, 3,850 gallons per month per customer will be used to calculate sales and to establish flat rates for non-metered customers. An example of what the ultimate rate design could look like, dependent on a final order from the Commission, is attached hereto as Exhibit A.

5. Customer Communications (issue 11): Confluence shall continue to pursue improvement in its efforts to communicate with customers.<sup>5</sup>

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<sup>5</sup> Exhibit 5, Rebuttal Testimony of Josiah Cox, pg. 12; see also Exhibit 6, Surrebuttal testimony of Josiah Cox, pg. 19.

6. Operations, Maintenance, and Oversight (issue 17): Regarding sub-issues (a), (b), and (c), the Signatories have resolved this issue without the need for any order from the Commission. This Stipulation does not resolve sub-issue (d) regarding operations, maintenance, and oversight.

7. Use of Employees rather than Contractors (issue 18): Confluence shall provide to Staff and OPC, within nine months of the effective date of a report and order from the Commission regarding this matter, a cost-benefit analysis comparing the use of third-party operators v. operators directly employed by Confluence. The Signatories and OPC shall meet no later than 90 days following a report and order from the Commission to discuss this analysis. An updated version shall be filed with the initial filing in Confluence's next rate case. The analysis shall include, but shall not be limited to the location of Confluence's systems, including the distance between systems; the age and condition of its systems; the type of technology employed at these systems; the services needed at these systems including the need for meter reading; the number of necessary operators given OSHA regulations; and the availability and necessary compensation for operators.

8. Capital v. Expense (issue 25): For purposes of this case only, the previously capitalized costs that are the subject of issue 25, in the amount of \$1,169,131, shall be amortized over a three-year period with an annual amount of \$389,710 to be included in the revenue requirement in this case. The unamortized balance shall not receive rate base treatment.

## **GENERAL PROVISIONS**

9. This Stipulation is intended to relate *only* to the specific matters referred to herein; no Signatory waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein. No Signatory will be deemed to have approved, accepted, agreed, consented, or acquiesced to any substantive or procedural principle, treatment, calculation, or other determinative issue underlying the provisions of this Stipulation except as otherwise specifically set forth herein. Except as specifically provided herein, no Signatory shall be prejudiced or bound in any manner by the terms of this Stipulation in any other proceeding, regardless of whether this Stipulation is approved.

10. This Stipulation has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not approve this Stipulation, or approves it with modifications or conditions to which a Signatory objects, then this Stipulation shall be null and void, and no Signatory shall be bound by any of its provisions.

11. If the Commission does not approve this Stipulation unconditionally and without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with Section 536.090 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions or memoranda, testimony, or exhibits that have been offered or received in

support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

12. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect only to the issues resolved herein: their respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2000; (3) their respective rights to the reading of the transcript by the Commission pursuant to Section 386.080.2 (RSMo 2000); (4) their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and (5) their respective rights to judicial review pursuant to Section 386.510. These waivers apply only to a Commission order respecting this Stipulation in this above-captioned proceeding, and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation.

13. The Signatories shall also have the right to provide, at any agenda meeting at which this Stipulation is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Signatories shall, to the extent reasonably practicable, provide the other Signatories with advance notice of the agenda meeting for which the response is requested. The Signatories' oral explanations shall be subject to public disclosure, except to the extent they refer to matters that are privileged



or protected from disclosure pursuant to the Commission's rules on confidential information.

14. This Stipulation contains the entire agreement of the Signatories concerning the issues addressed herein.

15. This Stipulation does not constitute a contract with the Commission and is not intended to impinge upon any Commission claim, right, or argument by virtue of the Stipulation's approval. Acceptance of this Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has or as an acquiescence of any underlying issue. Thus, nothing in this Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

16. The Signatories agree that this Stipulation should be received into the record without the necessity of any witness taking the stand for examination unless the Commission has questions concerning the issues resolved by this Stipulation.

17. While not a signatory, the OPC has informed the Signatories that it will not oppose this Stipulation.

**WHEREFORE**, the Signatories respectfully request that the Commission approve this Stipulation and grant such other and further relief as it deems just and equitable.

Respectfully Submitted,

**/s/ Travis J. Pringle**

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**ATTORNEY FOR CONFLUENCE  
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COMPANY, INC.**

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all parties and/or counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 1st day of September 2023.

**/s/ Travis J. Pringle**

## **EXHIBIT A, RATE DESIGN**

As reflected within this settlement, the Parties agree that Confluence Rivers' sewer operations shall be consolidated into two districts. Designated Sewer District 1 shall be those sewer systems that consist of a lagoon and a limited degree of disinfection technology, representing 1,254 customers. Designated Sewer District 2 shall consist of those sewer systems that utilize mechanical treatment and / or a greater degree of disinfection, representing 3,734 customers. Similarly, Confluence Rivers' water operations shall be consolidated into two districts. Designated Water District 1 shall be those water systems with a more limited degree of storage, representing 771 customers. Designated Water District 2 shall be those water systems that utilize an increased degree of technology in the form of storage or distribution pressure maintenance, representing 3,906 customers.

For purposes of this case, the Parties agree that the revenue requirement ordered by the Commission shall be allocated 42.62% to water operations and 57.38% to sewer operations.

The revenue requirement related to sewer operations shall be allocated to Designated Sewer Districts 1 and 2 based on the number of customers, weighted by their relative cost of service at a ratio of 0.85:1, respectively. Similarly, the revenue requirement related to water operations shall be allocated to Designated Water Districts 1 and 2 based on the number of customers, weighted by their relative cost of service at a ratio of 0.85:1, respectively.

Recognizing that all sewer operations are unmetered, the Designated Sewer Districts 1 and 2 revenue requirements shall be collected through a flat monthly charge. Specifically, the flat monthly charge for Designated Sewer District 1 shall be based on the District 1 revenue requirement divided by the District 1 customers of 1,254 customers. Similarly, the flat monthly charge for Designated Sewer District 2 shall be based on the District 2 revenue requirement divided by the District 2 customers of 3,734 customers.

Recognizing that water operations are both metered and unmetered, Designated Water Districts 1 and 2 revenue requirements for metered customers shall be collected through a flat monthly charge and usage charge. Designated Water Districts 1 and 2 revenue requirements for unmetered customers shall be collected through only a flat monthly charge which will reflect an assumed customer usage of 3,850 gallons per month.

The Designated Water District 1 metered usage charge shall be based on 24.34 percent of the District 1 revenue requirement divided by District 1 usage of 18,203 gallons. The Designated Water District 2 metered usage charge shall be based on 27.99 percent of the District 2 revenue requirement divided by District 2 usage of 139,154 gallons.

The Designated Water District 1 metered fixed charge shall be based on the difference between the District 1 revenue requirement and the revenues collected through the usage charge divided by the equivalent number of District 1 bills. The equivalent number of District 1 bills shall be adjusted to reflect an average monthly usage of 3,850 gallons for unmetered customers.

The Designated Water District 2 metered fixed charge shall be based on the difference between the District 2 revenue requirement and the revenues collected through the usage charge divided by the equivalent number of District 2 bills. The equivalent number of District 2 bills shall be adjusted to reflect an average monthly usage of 3,850 gallons for unmetered customers.

Designated Water Districts 1 and 2 unmetered bills shall be based on the same fixed charge as District 1 and District 2 metered bills, respectively, plus a fixed charge that reflects District 1 and District 2 usage charges multiplied by 3,850 gallons.