

**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 ) **File No. WR-2023-0006**  
Increase for Water and Sewer Service )  
Provided in Missouri Service Areas. )

**MOTION TO COMPEL**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and requests an order compelling Confluence Rivers Utility Operating Company, Inc. (“Confluence”) to fully respond to Staff data requests (“DRs”) 425 and 231.1. Staff states as follows:

**DR 425 – Exit Interviews**

1. Staff sent the following DR to Confluence on June 6, 2023:
  1. How are exit interviews conducted for employees that end employment with the company? List and explain each method that is used to conduct an exit interview. For example, telephone, virtual meeting, online via survey or email, US mail, in-person, etc.
  2. For each method identified in item 1 above, explain how human resources (and/or any other employees) maintain a record of each exit interview completed. For example, electronically, hardcopy, voice recording, etc.
  3. For the period covering October 1, 2019 through January 31, 2023, identify each former employee by job title and provide a complete copy of each completed exit interview (this should include, but not be limited to, all questions that were asked and all answers that were provided) separately for each employee that ended employment with the company. All former employee names may be redacted in copies of the completed exit interviews. If a copy does not exist provide access to virtual conferences, voice recordings and all other methods that have not been transcribed either electronically or in hardcopy format.
2. Confluence objected to this data request stating that it is not relevant, because Confluence has no employees, the DR concerns former employees of a

non-regulated entity, and the matter is not related to this case's revenue requirement or rates. Confluence also stated that because it covers three years, the request is unduly broad, and overly burdensome.

3. At the June 14, 2023 discovery conference, Confluence agreed to provide all information requested above, except for exit interview questions and former employees' responses. Counsel for Staff stated that he would check with Staff whether this is acceptable. The administrative law judge stated that Staff satisfied the requirements of 20 CSR 4240-2.090 and Staff could file a motion to compel if further information is needed.

4. Confluence provided all requested information on June 15, 2023, except for exit interview questions and responses. Confluence stated in its supplemental response that since October 2020, it attempts to conduct exit interviews of departing employees, but these employees are not required to participate. Confluence provided a list of the titles of 16 employees who left Confluence between October 1, 2019 and January 31, 2023, which is the time period Staff requested. It is not clear how many exit interviews were actually conducted. Confluence stated that its Human Resources department maintains exit interviews electronically.

5. Staff requests that Confluence produce the exit interview questions and responses. As Staff stated in its June 8, 2023 *Staff's Statement of Discovery Disagreements and Concerns*, the requested information is relevant, because employee turnover costs ratepayers money and signals a lack of sound management practices that may indicate other needlessly expensive inefficiencies. Exit interviews may also reveal other problems that may exist, such as a lack of policies and procedures, a lack of

controls, raise questions about the integrity of the organization or uncover issues relating to human resources. For example, employee turnover may evidence an institutional culture of bigotry, discrimination, and intolerance that exposes Confluence to expensive litigation, settlements, and/or judgments, all of which would be very serious matters. Finally, exit interviews may shed light into management leadership styles and effectiveness, lend insight into employee perceptions of the organization, and learn about human resources benchmarks (for salary and benefits) in comparison to competing organizations. These are legitimate areas of concern in a rate case, and applicable in this case because CSWR payroll costs are partially allocated to Confluence.

6. As to Confluence's objection that this request is unduly broad and overly burdensome, it is apparent that Confluence conducted fewer than 16 exit interviews and they are available in electronic format. Further, Staff's request for this information covers the period subsequent to the update cutoff in Confluence's most recent rate case through the update cutoff in the current rate case, which is consistent with time periods requested for other cost of service items in this case. Staff's request is not unduly broad or overly burdensome.

#### **DR 231.1 – Board Minutes**

7. In every large formal general rate case, Staff routinely requests and reviews all board documentation. Board documentation includes, but is not limited to, meeting agendas, minutes, presentations, and all materials provided to board members before and during each meeting. This review includes other parent companies' board documents, even though the parent company is not a party to the litigation.

8. Staff sent the following DR to Confluence on April 26, 2023:

\*\* [REDACTED]

1. [REDACTED]

2. [REDACTED]

3. [REDACTED] . \*\*

9. Confluence objected to this data request in its entirety, stating that

\*\* [REDACTED]

10. \*\* [REDACTED]

[REDACTED]. \*\* See attached confidential Exhibit 1.

11. However, according to Confluence's response to Staff's DR 231, neither Confluence nor CSWR have a board of directors.<sup>1</sup>

12. Confluence's supplemental response to Staff DR 231.1 reveals that \*\* [REDACTED]

[REDACTED]. \*\* US Water is a private equity company which acquired CSWR and all of its wholly-owned subsidiaries in November 2018. Central States Water Resources, Inc.<sup>2</sup> was CSWR's parent company before it was acquired by US Water. A copy of Central States Water Resources corporate organizational chart is attached as Exhibit 2. As an

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<sup>1</sup> Staff's DR 231 to Confluence asks:

Please reference the response to Staff data request 37 and 79 (pay increases approved by the board). 1. Does CSWR LLC and/or Confluence Rivers have a board of directors, any governing body or conduct any special groups that meet intermittently where there is a discussion regarding corporate strategy, approval of projects, approval of acquisitions, spending levels, budgets, pay levels and pay increases? If yes, please provide the minutes, presentations, or other documentation for the period of October 1, 2019 through January 31, 2023. 2. Provide a list of members of the board of directors from part (1) with names, business affiliations and the salary for each. 3. Please provide any board of director costs that were allocated to Confluence Rivers, by system, date, and USOA account for the period of October 1, 2019 through January 31, 2023. 4. How does human resources maintain and track all pay levels, pay increases, bonus payments and other forms of compensation payouts?

Confluence stated in response:

1) No. CSWR / Confluence Rivers does not have a board of directors, any governing bodies, or special groups. 2) CSWR / Confluence Rivers does not have a board of directors. 3) CSWR / Confluence Rivers does not have a board of directors, any governing bodies, or special groups. As such, CSWR / Confluence Rivers does not incur board of director costs. 4) All employee compensation is tracked in the Company's Human Resources Information System (HRIS), Paycor.

<sup>2</sup> It is unclear if both US Water and Central States Water Resources, Inc. have their own separate boards, or if there is one board that governs both entities.

investor of CSWR, LLC and its subsidiaries, US Water is likely a water corporation as defined in § 386.020(59), RSMo, and comes within the Commission's jurisdiction.

13. In response to Staff-CSWR 1-6 from Staff of the Public Utility Commission of Texas ("Texas PUC"), Aaron Silas, CSWR's Director of Regulatory Operations, stated that since US Water's acquisition of CSWR (which includes CSWR's wholly-owned subsidiaries, such as Confluence), US Water's "financial statements contain activity for the acquired business."<sup>3</sup> These information requests are attached as Exhibit 3. Thus, US Water's financial statements likely include aspects of Missouri business since Confluence is part of the acquired business. Many costs that are approved for funding at the US Water level relate to CSWR and the individual UOC's such as Confluence. In addition, costs incurred at the CSWR level are allocated to the individual UOC's including Confluence.

14. In response to another question asked by Texas PUC Staff, Mr. Silas stated that US Water is committed to investing the necessary capital in the acquisition and improvement of CSWR's Missouri operations.<sup>4</sup> As the owner of CSWR, US Water is

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<sup>3</sup> Staff request for information 1-6 to CSWR – Texas in Texas PUC Docket No. 50251 asks: Provide a definition of "Successor" and "Predecessor" as the terms are used on CSWR, LLC and Subsidiaries Consolidated Balance Sheets and Income Statements for 2018 and 2017.

CSWR – Texas stated in response:  
CSWR, LLC was acquired by US Water Systems, LLC on November 19, 2018. The referenced financial statements contain activity for the acquired business (the "Successor") and reflect the application of pushdown accounting. Successor financial statements are as of December 31, 2018 and for the period from November 19, 2018 to December 31, 2018. The Company's consolidated financial statements and certain footnote disclosures are presented in two distinct periods in 2018 to indicate the application of two different bases of accounting, which may not be comparable, between the periods presented. The periods prior to the acquisition date are identified as "Predecessor" and the period after the acquisition date is identified as "Successor."

<sup>4</sup> Staff request for information 1-4 to CSWR – Texas in PUC Docket No. 50251 asks:

certainly making key decisions about CSWR's Missouri operations, \*\* [REDACTED]

[REDACTED]. \*\* From Staff's perspective, access to US Water board materials is probative to show how corporate parent level decisions are made and imposed upon CSWR and Confluence. These materials may tend to show that Confluence is not making decisions that benefit Missouri ratepayers, but rather is compelled to implement decisions that benefit US Water – the private equity firm which owns CSWR and its subsidiaries, including Confluence – at the expense of Confluence ratepayers. Such board decisions affect the expenses and costs that the regulated entity and ultimately, Confluence's ratepayers, will bear. In sum, this information is necessary to verify the legitimacy of the expenses and costs, including capital, that Confluence seeks to recover from ratepayers, and thus it is a valid area of discovery.

15. Based upon Confluence's responses to Staff's DRs in this case, it appears that US Water is making decisions about Confluence executives' salaries. For example,

\*\* [REDACTED]

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Provide affidavits from all equity investors owning CSWR, LLC indicating their ability and willingness to cover any and all required improvements and operational losses for the companies being purchased

CSWR – Texas stated in response:  
No written agreement exists between CSWR, LLC, and its equity investor governing equity investments in CSWR Texas. However, the investor has verbally committed to invest equity sufficient to fund the acquisition and required improvements. Similar verbal commitments were made with respect to equity investments necessary to acquire and improve utility assets affiliated companies currently own and operate in Missouri, Arkansas, Kentucky, and Louisiana. As evidenced by acquisitions and improvements made in each of those states, regulators can rely on such verbal investment commitments.





meeting (confidential Exhibit 1) show that \*\* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] . \*\*

These minutes, as well as Confluence’s responses to Staff DRs 79 and 79.1, information submitted to the Staff of the Texas PUC, and 2021 Confluence budget materials, are evidence that US Water is involved in decisions surrounding Missouri acquisitions and improvements, CSWR executives’ salaries, and the amounts of these salaries to allocate to Confluence. US Water’s board minutes, agendas, and meeting materials are probative to key decision-making processes involving Confluence’s Missouri systems and are appropriate for discovery. These meeting materials are in Confluence’s possession, custody, or control.

19. Staff anticipates that Confluence will point to the Commission’s recent decision on the Office of Public Counsel (“OPC”)’s motion to compel. In this motion, OPC requested US Water board information and noted that this information is within Mr. Cox and Mr. Thomas’ possession, custody, or control, because these executives are on US Water’s board. The Commission declined to extend personal papers within the possession of these executives to the possession, custody, or control of Confluence.<sup>5</sup> However, further evidence described in this motion demonstrate that US Water actively makes decisions about acquisitions and improvements to Confluence’s Missouri systems. These documents show that these materials are more than personal – they show that the

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<sup>5</sup> *Order Granting, in Part, and Denying, In Part, Request to Compel Discovery Answers*, P. 18-19 (June 7, 2023).

US Water board is actively making decisions about Missouri operations that directly affect ratepayers. Confluence has greater accessibility to these materials than Staff, which has no accessibility to these materials.

**WHEREFORE**, Staff requests that the Commission grant this *Motion to Compel* and order Confluence to provide copies of its exit interview scripts and former employees' responses and all requested US Water board meeting materials.

Respectfully submitted,

**/s/ Karen E. Bretz**

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### **CERTIFICATE OF SERVICE**

I certify that copies of the foregoing have been electronically mailed to all counsel of record on this 26th day of June, 2023.

**/s/ Karen E. Bretz**