

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

In the Matter of the Application of)	
Confluence Rivers Utility Operating Company,)	
Inc. to Acquire Certain Water and Sewer Assets,)	File No. WM-2018-0116
For a Certificate of Convenience and Necessity,)	SM-2018-0117
and, in Connection Therewith, To Issue)	
Indebtedness and Encumber Assets.)	

CONFLUENCE RIVERS' RESPONSE TO STAFF RECOMMENDATION

COMES NOW Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”) and, in response to the Staff Recommendation, states as follows to the Missouri Public Service Commission (Commission):

1. On November 2, 2017, Confluence Rivers, filed an *Application and Motion for Waiver* for Confluence Rivers to acquire certain water and sewer assets of various water and sewer systems, along with a certificate of convenience and necessity.

2. On March 6, 2018, the Staff of the Commission (Staff) filed its Staff Recommendation and an associated Office Case File Memorandum.

3. Confluence Rivers has reviewed the Staff Recommendation and, provided the application is approved based on the Staff Recommendation, does not object to the “Recommendations” proposed by the Staff (specifically items 1-16, on pages 2-3 of the Recommendation).

4. Confluence Rivers does, however, provide the following comments concerning certain statements included in the Office Case File Memorandum attached to the Staff Recommendation:

A. **Rate Base-**

Majestic Lakes:

The Staff proposed a rate base of \$30,000 based on an unsubstantiated supposition that the original developer, “likely wrote-off most of the capital expenditures against lot sales, and estimated current rate base.” Confluence Rivers disagrees with this assessment of rate base for Majestic Lakes.

The water and wastewater systems at Majestic Lakes were brought on-line in 2004. The Majestic Lakes water system is comprised of approximately 6,000 linear feet of 6” PVC water main; a 420,000 gallon standpipe; a 1,500 foot deep water well, with a pump; and, an approximately 200 square foot well house building that contains electrical equipment, valving and an existing chlorination system.

The Majestic Lakes wastewater system consists of 8,591 linear feet of 8’ PVC (as confirmed by smoke testing in the field), and 47 manholes. This gravity system flows into a concrete lift station with two pumps and enough capacity to hold 24 hours of waste. The lift station feeds 400 linear feet of 4” PVC line into the sequencing batch reactor (SBR). The SBR’s aeration equipment is still functioning, which feeds a 900 square foot building. This building contains all the electrical panels, blowers, and fully functioning ultra-violet disinfection equipment servicing the SBR.

For future rate cases, Confluence Rivers plans on conducting an original cost study and will continue attempting to access previous equipment invoices or receipts. The study and invoices would then apply depreciation rates to derive a proposed net book value (NBV). Confluence Rivers currently estimates the depreciated water conveyance and treatment system NBV to be between \$200,000 and \$300,000. Confluence Rivers currently estimates the

depreciated wastewater conveyance and treatment system NBV to be between \$150,000 and \$250,000. Confluence Rivers understands this to be an issue that will be the subject of a future rate case.

Port Perry:

The Staff proposes a rate base of \$3,478.77. The Staff developed this rate base by reviewing Port Perry annual reports that have been file since Port Perry's last rate case in 2002.

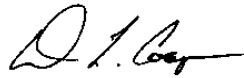
As part of Confluence Rivers due diligence, the Company researched the invoicing and financial records of Port Perry. These records were provided to Staff as part of the response to Staff DR 0001. Confluence Rivers also reviewed Port Perry's annual reports from 2002 to 2016, and internal records from Port Perry from 2011 through 2016. After review of this information, Confluence Rivers believes the NBV of Port Perry to be approximately \$250,738.02. Again, Confluence Rivers understands this to be an issue that will be the subject of a future rate case.

B. **Future Rate Case Filing.** On pages 10-11 of the Office Case File Memorandum, Staff suggests that Central States Water Resources, Inc. (CSWR) consider having all of the regulated utility affiliates that are owned and operated by or through CSWR submit rate cases concurrently. Staff reasons that such a process would assist with the corporate allocations made to the operating utilities and suggests that in the absence of such action "Staff may exercise its options to bring all CSWR affiliates before the Commission."

Confluence Rivers understands the point made by Staff and will give it consideration as requested. However, CSWR will also have to give consideration to the demands of responding to discovery and processing multiple cases simultaneously. This is something that, at this time, would be difficult for CSWR to do with its available personnel, while also responding to the demands of operating multiple utilities.

WHEREFORE, Confluence Rivers requests the Commission grant it permission, approval and a Certificate of Convenience and Necessity, subject the identified recommendations proposed in the Staff Recommendation/Memorandum (items 1-16, found on pages 2-3 of the Recommendation).

Respectfully submitted,



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ATTORNEYS FOR CONFLUENCE RIVERS
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 16th day of March, 2018, to:

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