

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 27th day of September, 2023.

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

File No. WR-2023-0006
Tracking Nos. YW-2023-0113
and YS-2023-0114

ORDER APPROVING AGREEMENTS

Issue Date: September 27, 2023

Effective Date: October 27, 2023

On December 21, 2022, Confluence Rivers Utility Operating Company, Inc. (Confluence or "the Company") filed a request for a general rate increase. The Commission provided notice and allowed for intervention applications, but no applications to intervene were received. The parties to the case are Confluence Rivers, the Staff of the Commission (Staff), and the Office of the Public Counsel (Public Counsel, altogether, "the Parties").

In the process of preparing for the evidentiary hearing, the Parties reached an agreement on many of the issues. On August 29, 2023,¹ Staff filed a *Unanimous Partial Stipulation and Agreement* (First Agreement). All parties were signatories. The First

¹ All dates refer to 2023 unless otherwise indicated.

Agreement addressed a total of 14 issues, listed under the heading Revenue Increase, below.²

On September 1, Staff and Confluence Rivers filed a *Non-Unanimous Partial Stipulation and Agreement* (Second Agreement). The Second Agreement settled a total of six issues: Recommended Reports (issue 1)³, Rate Design/District Consolidation (issue 5), Customer Communication (issue 11), Operations, Maintenance, and Oversight (issue 17(a), (b), and (c)), Use of Employees Rather than Contractors (issue 18), and Capital v. Expense (issue 25).

Public Counsel was not a signatory, but the Second Agreement indicated Public Counsel had no objection. Nevertheless, Commission Rule 20 CSR 4240-2.115(2) allows 7 days for parties to object to a nonunanimous stipulation and agreement. If no objections are filed, the Commission may treat the stipulation and agreement as unanimous. No responses or objections to the Second Agreement were filed; thus, the Commission will treat it as unanimous.

Revenue Increase

The First Agreement provided for an increase of \$275,000 to the final aggregate revenue requirement for the settlement of the following issues: Uncollectible Expense (issue 2), Rate Case Expense (issue 3), Accounting Services (issue 7), Customer Feedback (issue 9), Fire Protection (issue 10), Cell Phone/Internet Reimbursement (issue 12), Call Center Expense (issue 14), Meter Testing (issue 15), Payroll (issue 19),

² This order does not summarize every issue addressed by either Agreement.

³ Issue numbers refer to the *Amended Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements*, filed on August 8, 2023.

Employee Benefits (issue 20), Capital Improvement Plan (issue 22), Late Fees (issue 23), Budget Billing (issue 24), and Depreciation Expense (issue 26).

The Second Agreement provided the division of the revenue increase between water and sewer. The Second Agreement sets forth that the revenue requirement ordered by the Commission shall be allocated 42.62% to water operations and 57.38% to sewer operations.⁴

Meter Testing

The First Agreement set forth that the Company shall proceed with meter testing in compliance with Commission Rule 20 CSR 4240-10.030(38). For meters which Confluence Rivers does not have accurate age data, the Company will test 10% of all such customer meters in year one. Similarly, Confluence Rivers will test another 10% of all such customer meters in year two. Therefore, by the end of the ten-year period, all customer meters will have been tested and, if necessary, replaced.

Late Fees

The First Agreement provided that there shall be no late fee for water customers. Late fees of \$5 or 3% (whichever is greater) shall be applied to sewer-only customers. Late fees shall not apply to sewer customers that are also water customers.

Customer Feedback

The First Agreement stated that Confluence Rivers, OPC, and Staff will meet on a quarterly basis to review customer call center metrics. These quarterly meetings will begin within 90 days after the implementation of newly authorized rates in this case.

⁴ Second Agreement, Exhibit A, p. 1.

Budget Billing

Recognizing that sewer service is not metered and is billed based upon a flat monthly charge, the First Agreement specified that no budget billing shall be undertaken for sewer service. Similarly, for non-metered water service, no budget billing shall be implemented. For metered water service, Confluence Rivers agreed to implement and include in its tariff a budget billing program.

Consolidation

The Second Agreement allows Confluence Rivers to consolidate its water systems based upon technology and infrastructure, for ratemaking purposes. The first consolidated district will consist of water systems that largely rely on limited infrastructure such as hydro pneumatic tanks or pumps to pressurize the distribution system, and limited storage. The second consolidated district 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 Company will also be allowed to consolidate its sewer systems based upon technology and infrastructure, for ratemaking purposes. The first sewer district will consist of limited treatment technology, including but not limited to lagoons and land application systems. The second sewer district 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. Thus, the systems with more limited system

costs are in the first designated water or sewer district, and the systems with greater costs are in the second designated district.

Cost-Benefit Analysis of Third-Party Operators⁵

The Second Agreement states that Confluence Rivers will produce a cost-benefit analysis comparing the use of third-party operators to in-house operators. Confluence Rivers, Staff, and OPC shall meet to discuss this analysis. An updated version shall be filed with the initial filing in Confluence Rivers' next rate case. The analysis shall include, but shall not be limited to: the location of Confluence Rivers' 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.

Decision

After reviewing the First Agreement and the Second Agreement, the Commission determines that its terms are a reasonable resolution of the issues addressed by each Agreement, will result in just and reasonable rates, and should be approved. The Commission will approve the First Agreement and the Second Agreement.

THE COMMISSION ORDERS THAT:

1. The First Agreement, filed on August 29 and attached, is approved as a resolution of the issues set out in the First Agreement, and the signatories are ordered to comply with the terms of the First Agreement.

⁵ The issue is Use of Employees Rather than Contractors (issue 18).

2. The Second Agreement, filed on September 1 and attached, is approved as a resolution of the issues set out in the Second Agreement, and the signatories are ordered to comply with the terms of the Second Agreement.

3. This order shall become effective on October 27, 2023.



BY THE COMMISSION

Nancy Dippell

Nancy Dippell
Secretary

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

Hatcher, Senior Regulatory Law Judge

**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)

UNANIMOUS PARTIAL STIPULATION AND AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and on behalf of itself, Confluence Rivers Utility Operating Company (“Confluence”), and the Office of the Public Counsel (“OPC”) (collectively the “Signatories”), presents to the Missouri Public Service Commission (“Commission”) for approval this *Unanimous Partial Stipulation and Agreement* (“Stipulation”) commemorating certain agreements between the Signatories in this case. 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 territory, together with supporting testimony.¹ An evidentiary hearing was ultimately scheduled to begin on August 10, 2023, and to continue through August 17, 2023.

2. The Signatories held their first settlement conference on July 13, 2023, and have worked to determine whether a resolution of issues could be mutually reached in advance of and throughout the evidentiary hearing. As a result of these discussions, the

¹ 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.

Signatories have agreed to a series of compromises to determine mutually acceptable resolutions to the issues as set forth in more detail below.²

SPECIFIC TERMS AND CONDITIONS

3. The Signatories agree to an increase of \$275,000 to the final aggregate revenue requirement for the settlement of the following issues: Uncollectible Expense (issue 2), Rate Case Expense (issue 3), Accounting Services (issue 7), Customer Feedback (issue 9), Fire Protection (issue 10), Cell Phone/Internet Reimbursement (issue 12), Call Center Expense (issue 14), Meter Testing (issue 15), Payroll (issue 19), Employee Benefits (issue 20), Capital Improvement Plan (issue 22), Late Fees (issue 23), Budget Billing (Issue 24), and Depreciation Expense (issue 26). This aggregate figure was derived as a result of extensive negotiations among the Signatories regarding the appropriate value of these issues individually, and in the opinion of all Signatories, represents a just and reasonable settlement with respect to these issues.

4. Capital Improvement Plan. Confluence shall develop a 5-year Capital Improvement Plan (“CIP”) in Excel format that is filed in EFIS by January 30 of each year. The 5-year CIP will provide budgetary (forecasted) costs for planned capital improvements on a yearly basis for years 1 through 5 for systems owned by Confluence as of September 30 of the previous year. For each water system, each yearly plan will be divided between plant and transmission systems. For each sewer system, each yearly plan will be divided between treatment plant and collection system. The CIP is a working

² 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 2, 3, 7, 9, 10, 12, 14, 15, 19, 20, 22, 23, 24, and 26 from that filing.

document that is reviewed and updated not less than annually to reflect the addition of systems, changing customer needs, priorities, and associated funding opportunities to ensure that the infrastructure exists to provide safe and reliable water and sewer service. While not binding on Confluence, the CIP will also be generally used as a timeline for design, procurement, and construction. The CIP will be filed as a confidential document in EFIS within this docket, in Excel format, beginning on March 31, 2024, and updated annually thereafter in EFIS until the conclusion of the next Confluence rate case.

5. Meter Testing. Confluence shall proceed with meter testing in compliance with Commission Rule 20 CSR 4240-10.030(38). For meters which Confluence does not have accurate age data for, Confluence will test 10% of all such customer meters in year one. Similarly, Confluence would test another 10% of all such customer meters in year two. Therefore, by the end of the ten-year period, all customer meters will have been tested and, if necessary, replaced.³

6. Late Fees. There shall be no late fee for water customers. Late fees of \$5 or 3% (whichever is greater) shall be applied to sewer-only customers. This late fee shall not apply to sewer customers that are also water customers.

7. Depreciation Expense. Confluence shall use the depreciation rates as outlined in Staff witness Amanda Coffey's Rebuttal testimony⁴ and Schedule AC-r1, incorporated herein and attached as Exhibit A. In addition, due to the operating revenues of Confluence for water and sewer being in excess of \$500,000 for 2022, Confluence

³ Exhibit No. 21, Rebuttal Testimony of Todd Thomas, pp. 6-9.

⁴ Exhibit No. 114, Rebuttal Testimony of Amanda Coffey, pp. 4-5.

shall also align certain account numbers to the NARUC USOA Class A account numbers as detailed in the following table:⁵

| Class D | Class A | Description |
|---------|---------|--|
| 371 | 390 | Structures & Improvements |
| 372 | 391 | Office Furniture & Equipment |
| 372.1 | 391.1 | Office Electronic & Computer Equip. |
| 373 | 392 | Transportation Equipment |
| 379 | 394 | Other General Equipment (tools, shop equip., backhoes, trenchers, etc.) |
| 311/351 | 351 | Structures & Improvements |
| 372 | 370.1 | Oxidation Lagoons |
| 373 | 372 | Treatment & Disposal Facilities |
| 374 | 373 | Plant Sewers |
| 375 | 374 | Outfall Sewer Lines |

8. Rate Case Expense. This stipulation does not bind future parties' ability to argue the issue of rate base treatment for rate case expense.

9. Property Tax Tracker. Pursuant to Section 393.1275, RSMo, the amount of revenue requirement used to set rates for property tax shall be set at the amounts listed below, which can also be found within the following table:⁶

⁵ *Id.*, pg. 4, ln. 1.

⁶ Exhibit No. 105, Direct Testimony of Karen Lyons, pg. 8, ln. 6.

| Property Tax Base | |
|----------------------------|----------------------------------|
| System | Property Tax Base 2022 Actual |
| Confluence Rivers | \$ 4,520 |
| Elm Hills | \$ 2,671 |
| Osage | \$ 268 |
| Raccoon Creek | \$ 3,728 |
| Branson Cedars | \$ - |
| Cedar Green | \$ 780 |
| Clemstone | \$ - |
| Deer Run | \$ - |
| Dequire | \$ 53 |
| Fawn Lake | \$ - |
| Freeman Hills | \$ 144 |
| Glen Meadows | \$ - |
| Hillcrest | \$ 392 |
| Indian Hills Missing Well | \$ 9,361 |
| Missing Well | \$ - |
| Port Perry | \$ 421 |
| Prairie Heights | \$ 88 |
| Prairie Heights (Sullivan) | \$ 6 |
| Spring Branch | \$ 11 |
| Terre Du Lac | \$ 4,759 |

10. Customer Feedback: Confluence, OPC, and Staff shall meet on a quarterly basis to review customer call center metrics and other service quality performance. These quarterly meetings will begin within ninety days after the implementation of newly authorized rates in this case.

Confluence will continue providing call center statistics to Staff and OPC as laid out in File No. WM-2021-0412. Confluence will add the following information and metrics to the monthly report:

- Total calls received at the call center;
 - Calls handled by an interactive voice response system (“IVR”) or an intelligent virtual agent (“IVA”) (if this technology is utilized);
 - Service level (with the definition of how the service level was determined);
- and

- List of CSWR employees dedicated to customer service along with their titles and responsibilities.⁷

Confluence shall also examine methods available to solicit the opinions of its customers regarding the service that they are receiving.⁸ As part of its quarterly meetings, Confluence shall also work with Staff and OPC to develop a customer opinion survey(s) to solicit feedback from Confluence customers regarding the service(s) that they are receiving. At a minimum, this survey will be a random sampling of customers that have had contact with Confluence's call center and/or technicians. The previous year's survey results will be shared with Staff and OPC by January 31st of the following year.

11. Fire Protection: Confluence agrees to consider the availability of any federal or state grants that may be available for purposes of providing fire protection at its water systems and provide OPC and Staff updates on this issue, when appropriate, during the quarterly meetings identified in paragraph 10.

12. Budget Billing: Recognizing that sewer service is not metered and is billed based upon a flat monthly charge, no budget billing shall be undertaken for sewer service. Similarly, for non-metered water service, no budget billing shall be implemented. For metered water service, Confluence agrees to implement and tariff a budget billing program. Confluence will provide OPC and Staff information regarding the number of people who opt-into the budget billing program during the quarterly meetings identified in paragraph 10.

⁷ Exhibit 104, Direct Testimony of Scott Glasgow, pg. 11, ln. 5-15.

⁸ *Id.*, pg. 9, ln. 16-17; see also Exhibit 127, Surrebuttal Testimony of Scott Glasgow, pg. 6, ln. 1-4.

GENERAL PROVISIONS

13. 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.

14. 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.

15. 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. The Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval. 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.

16. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect only to the issues resolved herein: (1) their respective rights to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo; (3) their respective rights to the reading of the transcript by the Commission pursuant to Section 386.080.2, RSMo; (4) their respective rights to seek rehearing pursuant to Section 386.500, RSMo; and (5) their respective rights to judicial review pursuant to Section 386.510, RSMo. 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.

17. 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.

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

19. 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.

20. 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.

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

Travis J. Pringle

Missouri Bar No. 71128

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/s/ David L. Woodsmall

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/s/ John Clizer

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**ATTORNEY FOR THE OFFICE OF
THE PUBLIC COUNSEL**

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 29th day of August, 2023.

/s/ Travis J. Pringle

Confluence Rivers Utility Operating Company
SCHEDULE of DEPRECIATION RATES, WATER Class A
WR-2023-0006

| ACCOUNT NUMBER | ACCOUNT DESCRIPTION | DEPRECIATION RATE |
|--|--|-------------------|
| SOURCE OF SUPPLY | | |
| 311 | Structures & Improvements | 2.5% |
| 312 | Collection Reservoirs | 2%* |
| 314 | Wells & Springs | 2.0% |
| 316 | Supply Mains | 2%* |
| 317 | Other Water Source Plant | 5.0% |
| PUMPING PLANT | | |
| 321 | Structures & Improvements | 2.5% |
| 323 | Other Power Equipment | 4%* |
| 325 | Electric Pumping Equipment | 10.0% |
| 325.1 | Electric Submersible Pumping Equipment | 10.0% |
| 325.2 | High Service or Booster Pumping Equip. | 6.7% |
| 328 | Other Pumping Equipment | 4%* |
| WATER TREATMENT EQUIPMENT | | |
| 331 | Structures & Improvements | 2.5% |
| 332 | Water Treatment Equipment | 2.9% |
| TRANSMISSION & DISTRIBUTION MAINS | | |
| 341 | Structures & Improvements | 2.5% |
| 342 | Distribution Reservoirs & Standpipes | 2.5% |
| 343 | Transmission & Distribution Mains | 2.0% |
| 344 | Fire Mains | 1.56%* |
| 345 | Customer Services | 2.5% |
| 346 | Customer Meters, Bronze (Calibrate) | 3.3% |
| 346.1 | Customer Meters, Plastic (Throw Aways) | 10.0% |
| 347 | Customer Meter Pits & Installation | 2.5% |
| 348 | Hydrants | 2.0% |
| GENERAL PLANT | | |
| 390 | Structures & Improvements | 2.5% |
| 391 | Office Furniture & Equipment | 5.0% |
| 391.1 | Office Electronic & Computer Equip. | 20.0% |
| 392 | Transportation Equipment | 13.0% |
| 393 | Other General Equipment/Stores Equipment | 10%* |
| 394 | Tools/Shop/Garage Equip. | 6.7%* |
| 395 | Lab Equipment | 5%* |
| 396 | Power Operated Equipment | 6.7%* |
| 397 | Communication Equipment | 6.7%* |
| 398 | Miscellaneous Equipment | 6.43%* |

*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous

Confluence Rivers Utility Operating Company
SCHEDULE OF DEPRECIATION RATES, SEWER Class A
WR-2023-0006

| ACCOUNT NUMBER | ACCOUNT DESCRIPTION | DEPRECIATION RATES |
|---------------------------------------|--|--------------------|
| COLLECTION PLANT | | |
| 351 | Structures & Improvements | 4.0% |
| 352.1 | Collection Sewers (Force) | 2.0% |
| 352.2 | Collection Sewers (Gravity) | 2.0% |
| 353 | Services | 2.0% |
| 355 | Flow Measurement Devices | 3.3% |
| PUMPING PLANT | | |
| 361 | Structures & Improvements | 4.0% |
| 362 | Receiving Wells | 4.0% |
| 363 | Electric Pumping Equipment | 10.0% |
| 365 | Other Pumping Equipment | 4.31%* |
| TREATMENT & DISPOSAL PLANT | | |
| 370.1 | Oxidation Lagoons | 4.0% |
| 371 | Structures and Improvements | 4.0% |
| 372 | Treatment & Disposal Facilities | 5.0% |
| 372.1 | Sewer Collection Tanks | 20%* |
| 373 | Plant Sewers | 2.5% |
| 374 | Outfall Sewer Lines | 2.0% |
| GENERAL PLANT | | |
| 390 | Structures & Improvements | 4.0% |
| 391 | Office Furniture & Equipment | 5.0% |
| 391.1 | Office Electronic & Computer Equip. | 14.3% |
| 392 | Transportation Equipment | 13.0% |
| 393 | Other General Equipment/Stores Equipment | 10.0% |
| 394 | Tools/Shop/Garage Equip. | 5.0% |
| 395 | Lab Equipment | 5.0% |
| 396 | Power Operated Equipment | 6.7% |
| 397 | Communication Equipment | 6.7% |
| 398 | Miscellaneous Equipment | 6.43%* |
| 399 | Other Tangible Property | 3.00% |

*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous

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Increase for Water and Sewer Service)
Provided in Missouri Service Areas.)

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, 2023.¹

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

¹ 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.²

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;

² 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.³

³ 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).⁴

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

⁴ 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.⁵

⁵ 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
RIVERS UTILITY OPERATING
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.

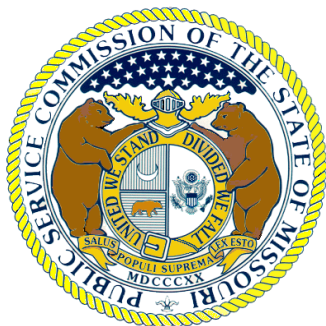
Designated Water Districts 1 and 2 unmetered bills shall be based on the same fixed charge as District 1 and District 2 metered bills, respectively, plus a fixed charge that reflects District 1 and District 2 usage charges multiplied by 3,850 gallons.

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 27th day of September, 2023.



Nancy Dippell

Nancy Dippell
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

September 27, 2023

File/Case No. WR-2023-0006

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Nancy Dippell
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.