

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, File No. WA-2024-0048
Confluence Rivers Operating Company, Inc.

FROM: Alexis Branson – Auditing Department
Angela Niemeier – Auditing Department
Scott J. Glasgow – Customer Experience Department
Kelli McKinley – Financial Analysis Department
Jarrod J. Robertson – Water, Sewer and Steam Department
Adam Stamp – Water, Sewer and Steam Department

/s/ Jarrod J. Robertson 02/26/24
Case Manager / Date

SUBJECT: Staff’s Recommendation to Approve Request for
Certificate of Convenience and Necessity

DATE: February 26, 2024

CASE BACKGROUND

On August 25, 2023, Confluence Rivers Utility Operating, Inc. (“Confluence”) filed an *Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”) for a Certificate of Convenience and Necessity (“CCN”) authorizing it to install, own, acquire, construct, operate, control, manage, and maintain the water and sewer systems of Lake Sherwood Estates Association (“Lake Sherwood”). In its Application, Confluence states that it intends to acquire substantially all the water and sewer utility assets that are presently owned by Lake Sherwood. Also, on August 25, 2023, Confluence filed a *Motion to Consolidate*.

On August 28, 2023, the Commission issued its *Order Setting Deadlines for Intervention* on September 12, 2023, and on September 13, 2023, the Commission issued its *Order Granting Consolidation, and Directing Filing*. The Application was docketed in two (2) separate cases, Case Nos. WA-2023-0048 and SA-2023-0049, which the Commission consolidated, with Case No. WA-2023-0048 being designated the lead case, and the Commission established an initial date of October 12, 2023, by which Staff would file a recommendation or request additional time.

On October 12, 2023, Staff filed a Status Report, detailing that Staff would file its Recommendation on November 28, 2023, and on October 13, 2023, the Commission filed an *Order Granting Motion for Extension*, approving Staff’s Recommendation filing date.

On November 14, 2023, Confluence filed a *Motion for Extension of Staff’s Time to File a Recommendation* (“Motion”), requesting the Commission establish a filing date for Staff’s

Recommendation of January 11, 2024. Confluence requested this extension in order to gather information related to the valuation of the system and further support the reasonableness of the transaction and demonstrate the acquisition is in the public interest. On November 14, 2023, the Commission issued its *Order Granting Motion for Extension*, setting a deadline for Staff to file its Recommendation no later than January 11, 2024.

On December 20, 2023, Confluence filed a *Motion for an Additional Extension of Staff's Time to File a Recommendation*, requesting the Commission establish a filing date for Staff's Recommendation of February 26, 2024. On January 9, 2024, Staff filed *Staff's Motion for Deadline Extension*, requesting the Commission establish a filing date for Staff's Recommendation of February 26, 2024. Confluence requested this additional extension in order to continue gathering information related to Confluence's previous extension request. On January 9, 2024, the Commission filed an *Order Granting Motion for Extension*, setting a deadline for Staff to file its Recommendation no later than February 26, 2024.

The Commission does not currently regulate the Lake Sherwood water and sewer systems. No parties sought to intervene in the case. No public comments have been submitted.

BACKGROUND OF CONFLUENCE

Confluence is a Missouri corporation with its principal office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, MO 63131, and it is a public utility subject to the jurisdiction of the Commission. Confluence is currently providing water service to approximately 5,200 customers and sewer service to approximately 5,100 customers in the State of Missouri.

Confluence is a subsidiary of Central States Water Resources, Inc. (CSWR"), which entered into a Purchase and Sale Agreement ("Agreement") with Lake Sherwood on February 15, 2023.

BACKGROUND OF LAKE SHERWOOD

Lake Sherwood is a Missouri nonprofit corporation that is in good standing with the Missouri Secretary of State. Lake Sherwood provides water and sewer services to approximately 492 customers in the Lake Sherwood Estates subdivision, located in Warren County, approximately two (2) miles Southwest of the junction of Highways D and T.

Staff's Investigation

Water System Background

The facility serves approximately 492 connections across a 1,000-acre service area consisting of a residential subdivision. The subdivision is not fully built out, but if completed, there may be approximately 2,035 connections within the distribution system. Growth in the subdivision

recently has been minimal and is not expected to increase drastically in the near future. The well system operates under permit number MO-6036039 and is currently owned by Lake Sherwood Estates Association. The system was originally constructed in 1968 and has undergone considerable upgrades since its inception. It consists of three (3) wells with associated treatment, a 4,000-gallon hydropneumatic tank, a 54,000-gallon standpipe tank, a 180,000-gallon ground storage tank, a 220-gallon bladder tank, two (2) booster pumps, and the associated distribution system. Staff submitted a sunshine request to Missouri Department of Natural Resources (“DNR”) asking for any documents pertaining to Lake Sherwood’s drinking water system in the last five years. Staff found that Lake Sherwood has experienced a few compliance issues, but these problems were relatively minor and improvements were made in a timely manner to meet DNR’s requests. Staff reviewed the “Return to Compliance” letters that confirmed these resolutions, and the system is currently in compliance.

Sewer System Background

The wastewater system consists of a collection system, lift station, flow equalization basin, extended aeration treatment basin, secondary clarifiers, and ultraviolet disinfection with sludge hauled by contract hauler. The facility is regulated under the NPDES permit MO0091529. The wastewater system has a design capacity of 350,000 gpd, and an actual flow of 107,400 gpd according to the NPDES permit. As described above, the subdivision serviced by the plant is not fully built out and has availability for a total of approximately 2,035 connections, but the existing treatment facility does have the necessary capacity if the subdivision experiences growth in the future. While the plant has met most of its effluent limits consistently, it has briefly exceeded effluent limits in the past. Staff requested and reviewed DNR documents for the past five years, and found that the treatment plant has been consistently meeting limits in more recently. Minor problems that have arisen with the collection system, such as a blocked line or additional safety measures requested by DNR have been addressed in a timely manner. Staff confirmed this by reviewing DNR “Return to Compliance” letters.

Staff’s Observations of the Water and Sewer Systems

Staff visited the Lake Sherwood subdivision on September 15, 2023. Overall, both the water and wastewater system are in good condition. Staff noted that the Association wants to ensure that the systems are in good working order before a new manager begins operations, as both systems show signs of recent investments. The systems contain multiple new pieces of machinery, and most of the older equipment is clean and appears to be properly maintained. Staff did see some signs of the systems age. For drinking water, the well houses are in good shape, but many of the metal parts on the inside are beginning to show corrosion. Additionally, staff observed seepage coming from the base of the standpipe located on wellsite #2.

The wastewater treatment plant is in good working order, but there are visible cracks in the foundation walls. These are not a structural problem at this time, but should be monitored and addressed before they become too costly. Staff also noted the sludge holding tank has been subjected to more neglect than other areas of the plant. Better maintenance and cleanliness in this particular area should be an objective. Finally, Staff notes that the most challenging aspect of Lake Sherwood's systems is that water and sewer lines run underneath the lake. Given that the system has some considerable age, this has the potential to be a problem if Confluence is not diligent in both its knowledge of the distribution and collection systems, and in its preparation for unforeseen problems.

System Improvements

Per Confluence's response to Staff Data Request 0028.0, "After Confluence Rivers is able to directly operate the systems it will be able to verify assumptions made in the following third-party improvement recommendations and capital estimates provided in the engineering memoranda or determine what changes to those plans are justified." In addition to this data request response submitted by Confluence, the following recommendations were made in an accompanying engineering memorandum by 21 Design Engineering Group, an engineering consultant contracted by Confluence:

Water System-

Well #1 Improvements and Other Repairs:

- Well is currently not in use, and minor upgrades can be made to ensure it is operational if it is ever needed as a backup well;
- Installation of remote monitoring, flow meter, building repairs.

Well #2 Improvements and Other Repairs:

- Installation of a new remote monitoring system equipped with a pressure monitoring and a flow meter;
- In the well head building, the addition of limited valves and the replacement of miscellaneous piping and valves will be necessary;
- Minor renovations to the well house interior and exterior;
- Installation of a backup generator.

Well #3 Improvements and Other Repairs:

- Installation of a new remote monitoring system equipped with pressure monitoring and a flow meter;
- In the well head building, the addition of limited valves and the replacement of miscellaneous piping and valves will be necessary;

- Minor renovations to the well house interior and exterior will be necessary;
- Installation of a backup generator.

Denby Road Booster Station:

- Installation of a new remote monitoring system equipped with pressure monitoring and a flow meter.

Standpipe Improvements and Other Repairs:

- Inspect, Repair, and Recoat Standpipe at Well #2;
- Inspect Standpipe at Well #3;
- Install new ground storage tank at Well #3 site.

Water Distribution System Improvements and other Repairs;

- Replacement of valves as necessary, following investigation;
- Additional hydrants might be necessary at strategic locations along the distribution system;
- Hydraulic modeling to determine system bottle necks. This will help design the new water main and additional looping that might be required if more connections are added.

Wastewater System-

- Install a flow meter and a remote monitoring system to record flow data prior to additional system improvements. Remote monitoring should also be installed at all lift stations;
- Operational monitoring of influent should be performed to determine optimal plant performance;
- Install a manual transfer switch with a quick connect to allow for the use of a portable generator for use in emergency situations;
- Brush Removal;
- Extend Access Road into Treatment Plant Site;
- Minor interior and exterior improvements to the blower building;
- The sludge management system at the plant is unique, and extra care should be taken to ensure it is in working condition and all components are inspected properly over time;
- All air drops, diffusers, and wastewater piping will need to be inspected and replaced or repaired as necessary;
- The wastewater treatment structure is aging and will likely need minor structural repairs which should be accounted for in any capital estimates, considering the plant will likely be utilized for many years into the future. If any structural repairs are necessary, management would need to temporarily remove the wastewater out of the plant and pump the influent which would be difficult and costly;

- Install new blower system as well as air headers, drops and diffusers in the existing sludge holding tanks to convert the system into an aerobic digester to decrease odor problems typical with anaerobic digestion. A decant airlift and decant pump should be added to the digester to allow for decanting into the aeration tank. All new tanks, blowers, and electrical components will need to be elevated to account for the fact that the site is located in a Zone A flood plain;
- New control panels with Variable Frequency Drives should be installed for the existing blowers and influent pumps, allowing them to be throttled downwards or upwards as necessary to increase energy efficiency. This will help to reduce operational costs over time and will decrease the influent pumping rate, lowering the chance of washing out the mixed liquor and reducing the risk of hydraulically overloading the system;
- Geographic Information System (“GIS”) shapefiles should be developed for future maintenance. System mapping at the fingertips of the operators will enhance the level of service and timing of responses to emergency and customer issues;
- Install flow monitoring, perform smoke testing, perform video inspection at selected locations, evaluate systems and create GIS based maintenance priority list to help understand and reduce the effect of I and I on the system;
- All lift station pumps should be inspected and repaired or replaced as necessary.

At this time, Staff is not commenting on the prudence of these proposed improvements. However, it is Staff’s position that accurate flow monitoring from the wells is critical to the proper operation of the drinking water system. Therefore, master meters should be installed as quickly as possible. It is also Staff’s position that GIS mapping of the drinking water distribution system and sewer collection system should be quickly completed in order to enable rapid repairs and ensure that all connected customers are appropriately billed for service. Staff will review any and all capital expenditures during a subsequent rate filing in which recovery of any expenditures is sought.

Rate Base

On February 1, 2024, Staff received several invoices and a list of the Lake Sherwood water and sewer assets (“plant”) since inception. Staff reviewed the invoices and compared them to the plant list. The records for the 1990’s contained very detailed recordings to specific accounts as the assets were placed in service, but were degraded in many areas due to age of documents. The records provided from 2000 to present were limited to purchase invoices only and did not include all costs to place assets in service. For these reasons, Staff was not able to verify the entire plant balance to date. However, the records that could be compared against the plant list were accurate and Staff believes it is a fair representation of recorded assets. Therefore, Staff used the asset list provided by Lake Sherwood to calculate rate base. Staff calculated rate base to be approximately \$379,993 for the water system and \$774,038 for the sewer system, for a total of \$1,154,031. Additionally, there are no Contributions in Aid of Construction (“CIAC”) for either the water or sewer system.

The following is a breakdown of the rate base components:

	Water	Sewer
Plant in Service	\$1,308,611	\$1,209,382
Less: Depreciation Reserve	\$928,618	\$435,345
Net Rate Base	\$379,993	\$774,038

According to the Agreement the proposed purchase price of the system is ** [REDACTED] **, which is above Staff's rate base calculation. As rate base does not need to be established by the Commission in this CCN case, if Confluence uncovers additional information Staff will consider any additional information it receives as part of its rate base calculation to determine revenue requirement in Confluence's subsequent rate case filing.

Depreciation

Staff recommends the use of the water and sewer depreciation rates utilized in Confluence's last rate case, Case No. WR-2023-0006.

Publicity and Customer Notice

According to information provided to Staff, voting ballots were mailed to Lake Sherwood members about Confluence's intent to purchase the Lake Sherwood system, and the membership meeting was held on July 10, 2023. At this meeting, Lake Sherwood's membership voted to approve the sale of the utilities. Out of 379 ballots counted, 354 (93.4%) votes were in favor of the utility sale.

Customer Experience

The business office for Confluence will not change as a result of the proposed acquisition. The main office for Confluence is located at 1630 Des Peres Road, Suite 140, St. Louis, MO 63131. Customers will be able to contact Confluence's customer service department by calling the toll-free phone number (866)945-3920, the emergency toll-free number (866)945-3920 option two (2) or by sending an email to customer service at support@confluenceriversuoc.com. The emergency number, website and email are available 24/7. According to Confluence, this information will be provided on the customer brochure, the website, and in all written materials that will be sent to customers. The main office is open from 8:00 am to 5:00 pm M-F to respond to customer concerns forwarded by operations or customer service personnel. Additionally, main office customer service personnel are available to be contacted after hours for emergency calls.

Confluence will offer the following payment options including, check, money order, cashier's check, e-check, credit/debit cards, Apple Pay, Google Pay, PayPal Cash and Check Free Pay. Online payments can be made using any of the methods listed.

Confluence will obtain a customer list from the current owner/operator, and that data will then be entered into Confluence's billing system via data import or by manual data entry.

Confluence will utilize its standard billing process. Meters will be read near the end of each month. Bills will be calculated near the first week of each month by Nitor Billing Services using Muni-Link software. Bills are mailed by a mailing service, and will have a due date of the last business day of the month, at least 21 days after each bill's rendition. Late fees are posted the day after the due date or within the first few days following the due date. Confluence does not collect or require customer deposits from either new or existing customers.

Rate and Tariff Matters

Confluence is proposing to adopt the rules and regulations contained within its current Commission approved water and sewer tariffs, MO P.S.C. No. 12 and MO P.S.C. No. 13, respectively.

Confluence is also proposing to adopt the current Lake Sherwood residential customer utility rate, until such time as the rates and rules are modified according to law, as outlined below:

- Lake Sherwood customers pay \$13.65 per month for water with an additional \$4.10 per 1,000 gallons used, and a fixed rate of \$31.52 per month for wastewater.

A map and a legal description of the proposed service area, will need to be included in Confluence's water and sewer tariff, MO P.S.C. No. 12, and MO PSC No. 13 respectively.

Financial Analysis

Staff investigated whether Confluence has the financial ability to acquire all or substantially all of the water and sewer system assets of the currently unregulated systems of Lake Sherwood and upgrade, own, operate, maintain, or otherwise control and manage said system. The purchase cost of the acquisition is ** [REDACTED] ** with a total project cost of ** [REDACTED] **. ¹ Confluence states that it has, "the financial strength and resources necessary to make expenditures and investments required to maintain the systems."²

Confluence indicated that the purchase price of ** [REDACTED] ** will be funded by equity from their parent company, CSWR, while the remaining project cost will be funded by both debt and equity provided by CSWR.³ Further review of Confluence's pro forma financial statements indicate that the total anticipated cost of the project stems from equity infusions by its parent company, CSWR, as well as money borrowed from CSWR.⁴ Given the fact that the funding for

1 Appendix A-C and F-C, The Application.

2 Paragraph 20, The Application.

3 Confluence's response to Data Request No. 0007.

4 According to Confluence Rivers' response to Staff Data Request No. 0002.1, this money is classified by Confluence

this acquisition is coming from Confluence’s parent company, Staff reviewed the current financial and business risk profile of both companies as well as the effect this project will have on each company’s credit quality.

While neither Confluence nor CSWR is publicly traded, a review of Confluence’s and CSWR’s financial ratios show debt to capital ratios of ** [REDACTED] ** and ** [REDACTED] **, respectively, with minimal change in the pro forma.⁵ These ratios indicate that Confluence has a ‘Highly Leveraged’ Financial Risk Profile (“FRP”) while CSWR has a ‘Minimal’ FRP.⁶ Additionally, both companies report negative ratios for both Funds from Operations (“FFO”) to Debt as well as Debt to Earnings before Interest, Taxes, and Depreciation/Amortization (“EBITDA”). These ratios have been consistently negative, with a couple of exceptions for Confluence’s 2021 and Q1 2022 Debt to EBITDA ratios.⁷ Negative financial ratios are nonsensical in nature as these ratios are typically positive⁸ and due to that reason are unable to truly reflect the financial position of the companies. The negative ratios for FFO/Debt and Debt/EBITDA for both companies result from FFO and EBITDA themselves being negative numbers. The negative FFO in the FFO/Debt ratio indicates that operations earnings are not enough to cover debt expenses. A negative EBITDA typically indicates poor cash flow and in a Debt/EBITDA ratio, would indicate that earnings are not exceeding debt.

Confluence has an average annual projected capital expenditure of ** [REDACTED] **⁹ over the next five-year period, while CSWR shows an average annual projected capital expenditure of ** [REDACTED] **¹⁰ over the same five-year span. The total cost of this acquisition appears to be more than four (4) times greater than the average of Confluence’s anticipated annual capital expenditures, while it is roughly less than 5% of CSWR’s projected capital expenditures.¹¹

A review of Confluence’s and CSWR’s Balance Sheets show that the companies have ** [REDACTED] ** and ** [REDACTED] ** in Cash, respectively.¹² Additional reviews of both companies’ financials show that historically, both companies have also had cash available if

Rivers as “Payable to Associated Companies” on their balance sheet. Though it is recorded in the Long-Term Liabilities section of Confluence Rivers’ balance sheet, this amount has no “repayment, interest or other financing terms” as discussed in response to Staff Data Request No. 0007.3 in case WF-2023-0023. Confluence additionally considers this amount as equity in their debt to capital ratios.

5 Confluence’s response to Staff Data Request No. 0001 & Staff Data Request No. 0003.

6 S&P’s Ratings Services, RatingsDirect, “Criteria Methodology: Business Risk/Financial Risk Matrix Expanded”

7 Confluence’s response to Staff Data Request No. 0003.

8 FFO/Debt ratios typically range from less than 12 for “Highly Leveraged” risk companies to greater than 60 for “Minimal” risk companies. Debt/EBITDA typically ratios range from less than 1.5 for “Minimal” risk companies to greater than 5 for “Highly Leveraged” risk companies.

9 Confluence’s response to Staff Data Request No. 0005.

10 Confluence’s response to Staff Data Request No. 0183 as a part of Case No. WR-2023-0006.

11 The percentage of the total acquisition cost from the average five year capital expenditure provided by Confluence in case WR-2023-0006.

12 Confluence’s response to Staff Data Request No. 0001 & No. 0002.

needed and that this acquisition does not greatly affect either companies' financial statements.¹³ Despite this, Confluence and CSWR both report consistently negative "Net Income" from 2020 to current as well as in the pro forma.

In recent years, the water and sewer sector, "has experienced an expansion in the geographic footprint of transactions and diversity in the acquirers of water and wastewater systems nationwide. Given sector demographics, the lion's share of water utility acquisition activity will continue to stem from the acquisition of financially challenged, small private systems and municipal utility systems by the largest investor-owned utilities."¹⁴ A review of the Certificates of Convenience and Necessity ("CCN") cases filed by Confluence during fiscal year 2023¹⁵ reveals in that fiscal year alone, Confluence filed nine CCN cases, with five of them being joint sewer and water cases.¹⁶ Furthermore, from July 1, 2023 to date, Confluence has filed two CCN cases, including this one.¹⁷ The total purchase cost for all eleven of Confluence's most recent CCN's is ** [REDACTED] **¹⁸ which is six times more than Confluence's average annual projected capital expenditures, but less than 8% of CSWR's average annual projected capital expenditures. The total estimated project cost of the eleven CCN's is ** [REDACTED] ** which is more than 11 times Confluence's average annual projected capital expenditures but less than 14% of CSWR's average annual projected capital expenditures. This indicates that Confluence has a fairly aggressive business practice, but with the help of their parent company is able to accommodate its aggressive business practices. Additionally, larger companies acquiring smaller financially challenged water and sewer systems appear to be on par with other companies nationwide.

While Staff has concerns regarding Confluence's highly leveraged FRP and aggressive business practices, Confluence has the help of its parent company, CSWR, to help mitigate risk. The projected total project cost of this acquisition will be provided by CSWR¹⁹ which is less than 5% of CSWR's projected capital expenditures. Additionally, CSWR has a Minimal FRP that is mostly unchanged by this transaction and the total project cost is less than 11% of CSWR's Cash available. Given this information, Staff does not have any evidence that CSWR cannot provide the necessary support needed by Confluence to acquire, upgrade, own, operate, maintain, and otherwise control and manage the Lake Sherwood water and sewer systems. Staff concludes that Confluence, with

13 Confluence's response to Staff Data Request No. 0001, No. 0002, & No. 0002.1.

14 S&P Capital IQ Pro, Financial Focus, "Water utility transactions trickle in while long-term demand remains elevated", published July, 14, 2023

15 Fiscal year 2023 went from July 1, 2022 to June 30, 2023.

16 These Cases include: WA-2023-0003, WA-2023-0026/SA-2023-0027, WA-2023-0092/SA-2023-0093, SA-2023-0187, SA-2023-0215, WA-2023-0284/SA-2023-0285, WA-2023-0398/SA-2023-0396, SA-2023-0437, and WA-2023-0450/SA-2023-0451.

17 These cases include: WA-2024-0048/SA-2024-0049 and SA-2024-0129.

18 Review of applications of all FY 2023-2024 Confluence CCN cases. Purchase costs were taken from purchase agreements provided in the application and totaled. Estimated Total Project Costs were taken from the feasibility study included with the application.

19 Confluence's response to Staff Data Request No. 0006 & No. 0006.2.

the assistance of its parent company, CSWR, is financially capable of the acquisition requested in the application.

Technical, Managerial, and Financial Capacity and Tartan Energy Criteria

Staff utilizes the concepts of Technical, Managerial, and Financial capacities (“TMF”) in studying applications involving existing water and/or sewer systems. Staff has reviewed and stated its position on the TMF capacities regarding each of Confluence’s affiliates in previous CCN and transfer of assets cases before the Commission. Staff’s position on Confluence’s ability to meet TMF criteria remains positive regarding those affiliates, and similarly takes the position that Confluence has adequate TMF capacity in this case. It is Staff’s position that Confluence has the ability to secure funding, to oversee construction of any necessary upgrades or repairs, and the ability to successfully manage operations of the Lake Sherwood utility systems.

When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company and referred to now as the “Tartan criteria.” The Tartan criteria contemplate 1) the need for service; 2) the utility’s qualifications; 3) the utility’s financial ability; 4) the economic feasibility of the proposal; and, 5) promotion of the public interest. Similar to the TMF capacities, in previous CCN cases Staff investigated these criteria and that investigation relates to this proposed acquisition. The results of Staff’s investigation are outlined below:

(1) Need for Service

There is both a current and future need for water and sewer service, as the existing Lake Sherwood customer base has both a desire and need for service.

(2) Applicant’s Qualifications

Confluence Rivers is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. Confluence is currently providing water service to approximately 5,200 customers and sewer service to approximately 5,100 customers throughout Missouri. Confluence is a subsidiary of CSWR.

(3) Applicant’s Financial Ability

Confluence has the financial capacity to acquire this system through access to capital from its parent company. This purchase is being made with a capital infusion and as a result, the purchase does not have a negative impact on the purchaser’s capital structure or financial ratios.

(4) Feasibility of the Proposal

Confluence anticipates no need for additional external financing to complete this acquisition, and has demonstrated over numerous years that it has adequate resources to operate utility systems it

owns. Staff finds the repairs, upgrades, and process changes proposed by Confluence for this system in particular to be reasonable.

(5) Promotion of the Public Interest

Staff finds the proposed transaction promotes the public interest, as there is both a present and future need for utility service, and the public's interest was exemplified via the Association's July 10, 2023 meeting where the Association membership voted in favor of the utility sale.

OTHER ISSUES

Confluence is currently listed as an Active Limited Liability Company with the Missouri Secretary of State.

As an uncertificated water and sewer operation, Lake Sherwood has no outstanding annual assessment obligations due to the Commission, and it has no pending actions before the Commission.

Confluence is a corporation that is in good standing with the Missouri Secretary of State.

Confluence is current with annual report filings with the Commission through calendar year 2022, as documented on the Commission's Electronic Filing and Information System ("EFIS").

Confluence is current on its annual assessment quarterly payments through the third quarter of fiscal year 2023.

Confluence has other pending cases before the Commission, but none that would impact this decision.

STAFF RECOMMENDATION

Staff recommends the Commission find that Confluence has complied with the requirements of Section 393.320, RSMo, and approve Confluence's request for CCN, subject to the following conditions and actions:

1. Grant Confluence a CCN to provide water and sewer service in the proposed Lake Sherwood service area, as modified as outlined herein;
2. Approve existing Lake Sherwood water and sewer rates for the Lake Sherwood system;
3. Require Confluence to submit tariff sheets, to become effective before closing on the assets, to include a service area map, service area written description, rates and charges to be included in its EFIS tariffs P.S.C. MO No. 12 and 13, applicable to water and sewer service, respectively;
4. Require Confluence to notify the Commission of closing on the assets within five (5) days after such closing;

5. If closing on the water and sewer system assets does not take place within thirty (30) days following the effective date of the Commission's order approving such, require Confluence to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Confluence determines that the transfer of the assets will not occur;
6. If Confluence determines that a transfer of the assets will not occur, require Confluence to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require Confluence to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the Lake Sherwood service area in its water and sewer tariffs, and rate and charges sheets applicable to customers in the Lake Sherwood service area in both the water and sewer tariffs;
7. In order for adequate flow monitoring within the water distribution system to occur, and to better enable rapid repairs and ensure all connected customers are appropriately billed for service, within 90 days of closing on the system assets, Confluence will install master meters, as described above, and complete GIS mapping of the drinking water distribution system, and the wastewater collection system. If Confluence finds it is unable to meet this 90-day requirement, Confluence will file notice with the Commission, detailing why it is unable to complete these tasks within the aforementioned timeframe and when Confluence expects to meet this requirement.
8. Require Confluence to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
9. Require Confluence to adopt the depreciation rates ordered in Case No. WR-2023-0006;
10. Require Confluence to provide training to its call center personnel regarding rates and rules applicable to the water customers in the acquired area;
11. Require Confluence to distribute to the customers in the acquired area an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
12. Require Confluence to provide to the CXD Staff an example of its actual communication with the Lake Sherwood customers regarding its acquisition and operations of the water, and how customers may reach Confluence, within ten (10) days after closing on the assets;

13. Require Confluence to provide to the CXD Staff a sample of five (5) billing statements for the acquired Company within ten (10) days of the billings; and,
14. Require Confluence to include Lake Sherwood water and sewer customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets; and,
15. Require Confluence to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing for each acquired company within ten (10) days after such communications and notifications.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of)
Confluence Rivers Utility Operating)
Company, Inc., for Certificates of) Case No. WA-2024-0048
Convenience and Necessity to Provide)
Water and Sewer Service in an Area of)
Warren County, Missouri (Lake)
Sherwood Estates))

AFFIDAVIT OF ANGELA NIEMEIER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

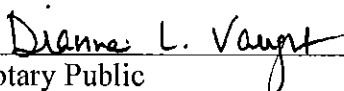
COMES NOW ANGELA NIEMEIER, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


ANGELA NIEMEIER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of February 2024.


Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of)	
Confluence Rivers Utility Operating)	
Company, Inc., for Certificates of)	Case No. WA-2024-0048
Convenience and Necessity to Provide)	
Water and Sewer Service in an Area of)	
Warren County, Missouri (Lake)	
Sherwood Estates))	

AFFIDAVIT OF SCOTT J. GLASGOW

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

COMES NOW SCOTT J. GLASGOW, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

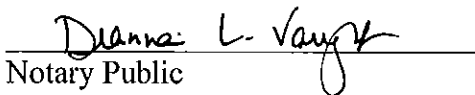


SCOTT J. GLASGOW

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of February 2024.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: July 18, 2027 Commission Number: 15207377



 Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

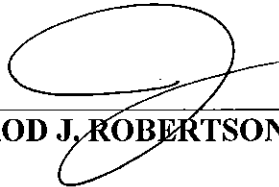
In the Matter of the Application of)
Confluence Rivers Utility Operating)
Company, Inc., for Certificates of) Case No. WA-2024-0048
Convenience and Necessity to Provide)
Water and Sewer Service in an Area of)
Warren County, Missouri (Lake)
Sherwood Estates))

AFFIDAVIT OF JARROD J. ROBERTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JARROD J. ROBERTSON, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

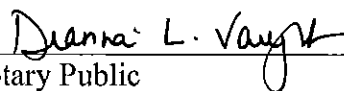
Further the Affiant sayeth not.



JARROD J. ROBERTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of February 2024.



Notary Public

