

**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)	
Convenience and Necessity to Provide)	Case No. WA-2024-0048
Water and Sewer Service in an Area of)	
Warren County, Missouri (Lake Sherwood)	
Estates))	

PUBLIC COUNSEL’S RESPONSE

COMES NOW the Office of the Public Counsel (“OPC”) and provides the following response to Confluence Rivers Utility Operating Company, Inc.’s (“Confluence” or “Company”) March 19, 2024, Response to Staff Recommendation:

1. The OPC is not opposing Confluence’s acquisition of the Lake Sherwood Estates’ (“LSE”) water and sewer systems, subject to Staff’s proposed conditions.
2. The OPC offers this response to bring to the Public Service Commission’s attention a concern regarding the price Confluence intends to pay to acquire the LSE systems. The OPC raises this issue now since it is based in part on the Staff’s rate base calculation addressed in Confluence’s Response.

3. Confluence states in its Response:

In addition to its conditions, Staff provided a purported valuation of rate base components. (Staff Memorandum, pp. 6-7). Confluence Rivers does not agree with this valuation. However, no further action is necessary at this time. Staff accurately states that “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.” (Staff Memorandum, p. 7). Confluence Rivers plans to address this valuation issue in its next rate case.

4. The OPC agrees with Staff and Confluence that “no further action is necessary at this time” regarding rate base, but as Staff and Confluence have done, the OPC feels compelled to highlight a potential issue related to future cost recovery.

5. The Staff’s Memorandum states, “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.”¹ While this number could change if Confluence is able to substantiate a different amount, as suggested by Staff and Confluence, the difference between rate base and the purchase price is still concerning.

6. LSE’s website includes a document titled “Utility Sale Questions” where it explains to LSE residents, “**LSEA solicited bids from all of the major water and sewer Investor-Owned Utilities in Missouri and the offer from CSWR was substantially higher than any of the other alternatives.**”² The explanation goes on to state, “While our agreement with CSWR [Central States Water Resources] does not allow us to release the exact purchase price, we CAN say **the purchase price is in excess of \$3 million plus reimbursement of pre-approved capital expenses.**”³

7. The OPC verified that at least two other major Missouri water utilities offered to purchase the LSE systems. If not for the offer made by Confluence, it is possible that a different utility would be before the Commission requesting this CCN, and the sale price of these systems would be substantially lower.

¹ Staff Memorandum, p. 6.

² Lake Sherwood Estates Utility Sale Questions, Question 11, February 3, 2023; <https://lakesherwoodestates.net/wp-content/uploads/sites/435/2023/02/FINAL-FAQs-02062023.pdf>.

³ *Id.*

8. The public interest is not served if the public is required to pay for an investor's overpayment for a system due to its efforts to outbid others interested in acquiring that same system.

9. The OPC raises this concern now to ensure the Commission and its Staff are aware of LSE's statements regarding Confluence's "**substantially higher**" offer than the offers made by other Missouri utilities, so that at a minimum, these facts will be taken into consideration in Confluence's next general rate case.

WHEREFORE, the Office of the Public Counsel respectfully offers this response.

Respectfully submitted,

/s/ Marc Poston

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 22nd day of March 2024.

/s/ Marc Poston
