

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

In the Matter of the Joint Application of)
Confluence Rivers Utility Operating)
Company, Inc., and Missouri-American)
Water Company for Authority for)
Confluence Rivers Utility Operating)
Company, Inc., to Acquire Certain Sewer)
Assets of Missouri-American Water)
Company in Callaway and Morgan)
Counties, Missouri)

File No. SM-2025-0067

STAFF’S REPORT AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and for its *Staff Report and Recommendation* (“Report”) states:

1. On August 27, 2024, Confluence Rivers Utility Operating Company, Inc. (“Confluence”) and Missouri-American Water Company (“MAWC”), (together “Applicants”), filed a *Joint Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”), pursuant to Section 393.190, RSMo and Commission Rules 20 CSR 4240-2.060, 20 CSR 4240-4.017, and 20 CSR 4240-10.105, asking the Commission to:

- A. Authorize Confluence to acquire 19 small wastewater systems from MAWC;
- B. Include the applicable MAWC Certificates of Convenience and Necessity (“CCN”) in this acquisition, or grant Confluence new CCN’s, pursuant to Section 393.170, RSMo; and
- C. Waive the 60-day notice requirement for good cause shown.

2. Staff has fully investigated the Application and has prepared the Report – setting out fully and in complete detail its investigation, findings, conclusions, and recommendations. It is attached and incorporated as “Attachment A” to this cover pleading.

3. It is Staff’s position that this acquisition is not detrimental to the public interest. As such, Staff recommends that the Commission allow Confluence to acquire these systems, pursuant to paragraphs eight (8) and nine (9) of the Application. Importantly, Missouri courts hold that “the Commission may not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest.”¹

4. With regard to Applicants’ CCN request: Staff applied the Tartan Criteria and found that all five are satisfied.² Staff also examined Confluence’s technical, managerial, and financial capacity (“TMF”) – as is common in cases involving asset transfers and CCN’s for existing regulated water and/or sewer systems – and found that Confluence demonstrates adequate TMF capability. Thus, in line with Commission practice, Staff recommends the Commission cancel MAWC’s CCN’s at issue in this case and grant Confluence new CCN’s.

5. In support of the motion for waiver of the 60-day pre-filing notice requirement, Confluence and MAWC provided verified declarations with the Application, stating “that they have had no communication with the Office of the Commission

¹ State ex rel. City of St. Louis v. Public Service Commission of Missouri, 335 Mo. 448, 73 S.W.2d 393, 400 (Mo. banc 1934); State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 (Mo. App., E.D. 1980).

² In re Tartan Energy Co., 3 Mo. P.S.C. 173, 177 (1994).

(as defined in 20 CSR 4240-4.015(10)) within the prior 150 days regarding any substantive issue likely to be in this case.” Staff does not oppose this request.

6. Staff has concerns regarding Confluence’s “Highly Leveraged” financial risk profile. However, for the reasons discussed in the Financial Analysis section of the Report, Staff concludes that Confluence (with the assistance of its parent company, CSWR), is financially capable of the acquisition and improvement requested in the application.

7. Pursuant to Commission Rule 20 CSR 4240-2.060(1)(B), both Confluence and MAWC are Missouri corporations in good standing. Certified copies of the certificates of good standing were filed with the Commission in cases WM-2018-0116 and WO-2021-0343, respectively.

8. Both Confluence and MAWC are current on water and sewer PSC assessment payments as well as annual reports. Neither Confluence nor MAWC has a proceeding before the Commission that should impact the outcome of this case.

9. Staff’s recommendations to the Commission are subject to the 12 conditions and actions outlined in the Report.

WHEREFORE, Staff prays that the Commission will accept this Report as compliant with the Commission’s Orders.

Respectfully submitted,

/s/ Andrea B. Hansen

Andrea B. Hansen

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to counsel of record this 30th day of December, 2024.

/s/ Andrea B. Hansen