

Exhibit No.:
Issue(s): *Rate of Return*
Witness: *Johnny Garcia*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *SM-2025-0067*
Date Testimony Prepared: *May 23, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS DIVISION

FINANCIAL ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

JOHNNY GARCIA

**CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.,
and MISSOURI-AMERICAN WATER COMPANY**

CASE NO. SM-2025-0067

Jefferson City, Missouri
May 2025

1
2
3
4
5
6
7
8
9

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY OF**

JOHNNY GARCIA

**CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.,
AND MISSOURI-AMERICAN WATER COMPANY**

CASE NO. SM-2025-0067

Rate of Return2
Response to Testimony of OPC Witness.....5
Conclusion14

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **JOHNNY GARCIA**

4 **CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.,**

5 **AND MISSOURI-AMERICAN WATER COMPANY**

6 **CASE NO. SM-2025-0067**

7 Q. Please state your name and business address.

8 A. My name is Johnny Garcia and my business address is 200 Madison Street, P.O.
9 Box 360, Jefferson City, Missouri 65102.

10 Q. Who is your employer and what is your present position?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 a member of Commission Staff (“Staff”) and my title is Financial Analyst for the Financial
13 Analysis Department, in the Financial and Business Analysis Division.

14 Q. Please describe your educational background and work experience.

15 A. My educational background, work experience, and credentials are attached to
16 this testimony as Schedule JG-s1.

17 Q. Have you previously filed testimony before the Commission?

18 A. No, I have not previously filed testimony before the Commission. Please refer
19 to Schedule JG-s1, attached to this Testimony, for a list of my memorandums previously filed
20 with the Commission.

21 Q. What is the purpose of your Surrebuttal Testimony?

22 A. The purpose of my Surrebuttal Testimony is to demonstrate to the Commission
23 that Confluence Rivers Utility Operating Company, Inc. (“Confluence”) acquiring Missouri
24 American Water Company (“MAWC”) sewer systems does not, in and of itself, warrant a

1 presumption of adverse effects on customers with respect to Rate of Return (“ROR”) as
2 indicated by the Office of Public Counsel (“OPC”) witness, Mr. David Murray. Additionally,
3 Staff’s position is that, at this time, it is not possible to conclusively determine the specific
4 impact that the proposed acquisition may have on the ROR for either utility.

5 **RATE OF RETURN**

6 Q. What is an authorized ROR in terms of a rate-making proceeding?

7 A. An authorized ROR is a Commission-approved return that allows utilities the
8 opportunity to recover a reasonable level of operating expenses, taxes, and depreciation, while
9 also providing the opportunity to earn a fair ROR on the capital invested in assets utilized in
10 providing service to their customers.¹

11 Q. What are the regulatory principles used to determine an authorized ROR in a
12 rate-making proceeding?

13 A. The authorized ROR plays a critical role in rate-setting, as it balances the
14 financial needs of the utility with the obligation to protect ratepayers from excessive charges.

15 A just and reasonable authorized ROR should follow the following foundational principles:

- 16 1. A return consistent with returns on investments of comparable risk;²
17 2. A return that allows the utility to attract capital on reasonable terms;³ and,
18 3. A return sufficient to assure confidence in the utility’s financial integrity.⁴

¹ David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, 2020 Edition, Chapter 2. Page 9.

² *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692 (1923).

³ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944).

⁴ *Ibid.*

1 These principles, established in landmark decisions such as *Bluefield* and *Hope*, guide
2 regulatory commissions in determining fair and equitable rates that promote both utility
3 financial health and customer protection.

4 Q. Why is authorized ROR important in rate-making?

5 A. The authorized ROR is important in rate-making because it represents the
6 allowed return that a utility can earn on its invested capital. It is a key component in determining
7 the utility’s revenue requirement—the total amount of money the utility needs to collect from
8 customers to cover its operating expenses, depreciation, taxes, and provide a fair return to
9 investors. The revenue requirement, in turn, forms the basis for setting customer rates.
10 Ensuring an appropriate ROR helps attract investment while protecting customers from
11 excessive charges.

12 Q. How is an authorized ROR typically developed for a utility in a rate
13 case proceeding?

14 A. The authorized ROR is developed from the estimated cost of capital through a
15 process known as the Weighted Average Cost of Capital (“WACC”). This process involves
16 weighting each component of the utility’s capital structure—debt, equity, and sometimes
17 preferred stock—by its proportion in the capital structure, and then multiplying those weights
18 by the respective costs of each capital component.⁵ The resulting figure represents the
19 composite return the utility is allowed to earn on its rate base, ensuring a balanced recovery of
20 capital costs while protecting ratepayer interests.

⁵ National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

1 Q. How does ROR differ from cost of capital?

2 A. While often used interchangeably, ‘Rate of Return’ and ‘Cost of Capital’
3 represent distinct financial concepts in regulatory proceedings. The ROR is a measure of
4 profitability applied in ratemaking and is typically derived from accounting data. In contrast,
5 the cost of capital is an opportunity cost reflecting the return that investors forgo by investing
6 in a particular utility, rather than in alternative investments of comparable risk. As such,
7 the cost of capital cannot be directly observed or measured, it must be estimated using financial
8 models and market-based data.⁶

9 Q. What is the difference between a requested, authorized, and earned ROR?

10 A. It is important to distinguish between three different types of ROR commonly
11 referenced in regulatory proceedings: the requested, authorized, and earned ROR. Each reflects
12 a different purpose and level of regulatory scrutiny.

13 The requested ROR is the return proposed by a utility in its rate case filing. It is based
14 on the utility’s estimates of its cost of capital, including the cost of equity, cost of debt,
15 and proposed capital structure. Requested RORs reflect the utility’s position at the outset of a
16 rate case and are subject to discovery, testimony, and potential adjustment.⁷ Importantly,
17 this figure has no binding regulatory authority and should not be treated as a
18 Commission-approved or validated measure of the utility’s financial needs.

19 The authorized ROR, by contrast, is the return approved by the Commission at the
20 conclusion of a general rate proceeding. This ROR is derived through careful analysis of
21 financial market data, risk assessments, and cost of capital models, and reflects the

⁶ David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, 2020 Edition, Chapter 2. Page 15.

⁷ Ibid.

1 Commission’s determination of a just and reasonable return.⁸ The authorized ROR serves as
2 the foundation for establishing customer rates and reflects a balance between investor interests
3 and consumer protection.

4 The earned ROR is the return the utility actually earns over a specific period of time,
5 based on its recorded operating results and investment levels.⁹ The earned ROR can be
6 calculated using the annualized ROR, which is defined as the utility’s Net Operating Income
7 divided by its rate base, based on its financial accounting information.¹⁰ Therefore, the earned
8 ROR may differ from the authorized ROR due to variations in actual year-by-year revenues,
9 expenses, or investment levels.

10 Misunderstanding or conflating these distinct measures can lead to unsupported
11 conclusions about customer impacts or utility performance. Staff emphasizes that only the
12 authorized ROR should be used in evaluating whether customer rates are just and reasonable.

13 **RESPONSE TO TESTIMONY OF OPC WITNESS**

14 Q. Does Staff agree with Mr. Murray’s indication that Confluence has a “higher
15 cost of capital as compared to MAWC’s cost of capital?”¹¹

16 A. No. In Mr. Murray’s testimony, he failed to show any evidence to support his
17 claim, which is primarily based on speculation, as Staff will go into more detail below.

⁸ National Association of Regulatory Utility Commissioners (NARUC), *Rate Case and Financial Reporting Manual*, 2003 Edition.

⁹ *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923); *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

¹⁰ Yozwiak, M. (2023). Calculating the realized investment returns of US electric utilities. *Utilities Policy*, 85, 101684.

¹¹ Page 5, Lines 24-25, Murray’s Rebuttal Testimony.

Surrebuttal Testimony of
Johnny Garcia

1 Q. Why does Mr. Murray make the assertion that Confluence has a “higher cost of
2 capital as compared to MAWC’s cost of capital?”¹²

3 A. Mr. Murray makes the assertion that Confluence has a “higher cost of capital as
4 compared to MAWC’s cost of capital” based on each utility’s requested ROR in their most
5 recent rate cases.¹³ Mr. Murray uses this fact in addition to other cost of service factors to
6 indicate that the “higher cost of service may result in higher rates for customers.”¹⁴ While Staff
7 acknowledges that it is possible the proposed acquisition could lead to higher cost of services
8 in the future, such an outcome is speculative at this time and cannot be substantiated with
9 certainty. Staff will address the issue regarding Mr. Murray’s speculation of higher customer
10 rates in the future in greater detail later in this testimony.

11 Q. What are Staff’s concerns with Mr. Murray’s claim of Confluence having a
12 “higher cost of capital as compared to MAWC’s cost of capital?”¹⁵

13 A. Staff has a couple major concerns with Mr. Murray’s claim. The first concern
14 is that Mr. Murray’s argument revolves primarily around the fact that Confluence requested
15 higher costs of capital in its most recent rate proceeding in comparison to MAWC in its most
16 recent rate proceeding. In its most recent rate case, Case No. WR-2023-0006, Confluence
17 requested a Return On Equity (“ROE”) of 11.35% and a 6.60% cost of long term debt.¹⁶ In its
18 most recent rate case, Case No. WR-2024-0320, MAWC requested an ROE of 10.75% and
19 a 4.56% cost of long term debt.¹⁷ This is a flawed basis for evaluating customer impacts,
20 as requested costs of capital are merely proposals subject to challenge by each party, true-up

¹² Ibid.

¹³ Page 5, Lines 24-25 & Page 9, Lines 16-24 & Page 10, lines 1-5, Murray’s Rebuttal Testimony.

¹⁴ Page 2, Lines 18-19, Murray’s Rebuttal Testimony.

¹⁵ Page 5, Lines 24-25, Murray’s Rebuttal Testimony.

¹⁶ Page 9, Lines 16-22, Murray’s Rebuttal Testimony.

¹⁷ Page 9, Line 23-24 & Page 10, Lines 1-5, Murray’s Rebuttal Testimony.

1 adjustments, and the Commission discretion. The second concern is the lack of transparency
2 and verifiability due to MAWC’s history of resolving rate cases through black box settlements.
3 A black box settlement is a type of negotiated resolution in which parties agree to a total revenue
4 requirement without specifying how individual components—such as the return on equity, cost
5 of debt, or capital structure and other revenue requirement items —are determined. As a result,
6 these settlements do not disclose the embedded cost of capital, making them unsuitable for
7 comparative analysis.

8 Q. Can you explain Staff’s concerns with Mr. Murray’s use of requested ROR’s to
9 support his argument that the transaction may result in higher customer rates due to higher cost
10 of service?¹⁸

11 A. Staff disagrees with Mr. Murray’s reliance on the respective utilities’ requested
12 costs of capital from their most recent rate proceedings to assert that the proposed acquisition
13 would be detrimental to ratepayers. A requested ROR, including the embedded costs of debt
14 and equity, represents proposals put forth by the utilities and are not indicative of the
15 Commission’s final judgment on a just and reasonable return.¹⁹

16 These proposed figures are frequently subject to extensive litigation, discovery, and
17 adjustment during the course of a rate case. As such, they do not carry the regulatory authority
18 or evidentiary reliability of Commission-authorized ROR. Drawing conclusions about
19 customer impact based on requested (but unapproved) costs of capital is therefore premature
20 and unsupported by regulatory precedent.²⁰

¹⁸ Page 2, Lines 17-19, Murray’s Rebuttal Testimony.

¹⁹ David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, 2020 Edition, Chapter 1.

²⁰ National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

1 Q. Given that Staff considers the use of each utility’s requested ROR to assess
2 customer impact to be inappropriate and speculative, why were the authorized costs of capital,
3 as approved by the Commission, not used by Mr. Murray as the basis for evaluating potential
4 customer impact?²¹

5 A. In this current proceeding, one of the utilities has not received an explicit
6 authorized ROR due to the parties in prior rate cases reaching black box settlements, which do
7 not disclose specific return components such as the ROE or overall weighted average cost of
8 capital. As a result, it is not possible for Mr. Murray to make a direct and verifiable comparison
9 using authorized numbers. Table 1 below shows a breakdown of the most recently performed
10 rate proceedings for both MAWC and Confluence Rivers:

11 **Table 1: Confluence Rivers and MAWC Rate Case History**

<u>Case No.</u>	<u>Company</u>	<u>Authorized ROR</u>	<u>Requested ROR</u>
WR-2024-0320	MAWC	Settled ²²	7.68% ²³
WR-2023-0006	Confluence Rivers	8.25% ²⁴	9.86% ²⁵
WR-2022-0303	MAWC	Settled ²⁶	7.53% ²⁷
WR-2020-0344	MAWC	Settled ²⁸	7.77% ²⁹

12
13 Staff’s position is that comparisons of customer impact should be grounded in the most
14 reliable and transparent data available—namely, the Commission-authorized costs of capital.

²¹ David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, 2020 Edition, Chapter 1.

²² Case No. WR-2024-0320, *Report & Order-Final*, May 17, 2025, Page 30.

²³ Case No. WR-2024-0320, *Statement of Position*, February, 21, 2025, Pages 28-31.

²⁴ Case No. WR-2023-0006, *Report & Order-Final*, October 25, 2023, Page 60 & Page 75.

²⁵ Case No. WR-2023-0006, *Statement of Positions*, July, 28, 2023, Pages 12-13

²⁶ Case No. WR-2022-0303, *Report & Order-Final*, May 3, 2023, Page 12.

²⁷ Case No. WR-2022-0303, *MAWC’S Statement of Position*, February 21, 2023, Pages 3-5.

²⁸ Case No. WR-2020-0344, *Order Approving Stipulations & Agreement*, April 7, 2021, Page 2.

²⁹ Case No. WR-2020-0344, *MAWC’s Statement of Positions*, February 18, 2021, Pages 13-15.

Surrebuttal Testimony of
Johnny Garcia

1 Requested costs of capital merely reflect the utility’s litigation position and often differ
2 materially from what is ultimately approved.³⁰

3 Therefore, Staff finds that using requested figures introduces a high degree of
4 uncertainty and could give a misleading picture of how customers might be affected, especially
5 since these are not Commission-authorized numbers.³¹

6 Q. Is it possible to calculate an estimated ROR for MAWC based off of their most
7 recent black box settlement?

8 A. No. A black box settlement, by its nature, does not disclose the specific cost of
9 capital components used to determine the overall revenue requirement, such as the ROE, the
10 WACC, capital structure, or other expense items.³²

11 In traditional rate cases in which a black box settlement is not reached, the Commission
12 issues decisions regarding the cost of debt, capital structure, and a reasonable ROE. These
13 components are then used to calculate an authorized ROR. In contrast, black box settlements
14 do not indicate specific values to these components.³³

15 Neither Staff nor Mr. Murray conducted calculations to determine an estimated
16 authorized ROR for comparison purposes in this proceeding.³⁴ While the resulting revenue
17 requirement from a black box settlement may reflect compromises among the parties, no party,
18 including Staff, can confirm the embedded cost of capital assumptions or how they align with
19 financial market conditions or risk profiles. Attempting to calculate or estimate an authorized

³⁰ National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

³¹ *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

³² National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

³³ National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

³⁴ Mr. Murray’s response to Staff’s Data Request No. 0049.

Surrebuttal Testimony of
Johnny Garcia

1 ROR from a black box outcome would be speculative and analytically unsound, lacking
2 verifiability, transparency, and consistency with regulatory standards for evaluating the
3 authorized ROR.³⁵

4 Q. Is it reasonable to assume ratepayer harm from the proposed acquisition when
5 no benchmark exists for the ROR of one of the parties?

6 A. No. A foundational requirement for evaluating customer impact is the presence
7 of reliable, Commission-approved financial parameters.³⁶ Due to MAWC's most recent rate
8 case resulting in a black box settlement, there is no fair assumption that can be made.³⁷ This is
9 simply because there is no benchmark data to fairly compare MAWC and Confluence to one
10 another. Established regulatory principles emphasize that decisions regarding just and
11 reasonable rates must be based on evidence that is measurable, transparent, and consistent with
12 established ratemaking principles.³⁸ To assume the ratepayer would receive any harm would
13 be unreasonable without verifiable proof.

14 Q. Is it possible to determine each utility's earned ROR to determine possible
15 customer impact?

16 A. Though it is possible to determine each utilities' earned ROR using data from
17 financial statements to determine possible customer impact of this transaction, that calculation
18 would be not reliable to evaluate customer impact from a proposed transaction due to earned
19 RORs reflecting historical accounting performance, which can be heavily influenced by factors

³⁵ *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

³⁶ National Association of Regulatory Utility Commissioners ("NARUC"), *Rate Case and Financial Reporting Manual*, 2003 Edition.

³⁷ *Stipulation and Agreement*, Commission File No. WR-2024-0320.

³⁸ *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

1 that are not indicative of the ongoing costs or financial risks that regulators consider
2 in ratemaking.³⁹

3 Earned RORs can fluctuate year-to-year due to temporary changes in revenue, operating
4 expenses, capital expenditures, depreciation timing, and deferred accounting items—many of
5 which may be unrelated to the core cost of providing utility service.⁴⁰ Furthermore, these
6 figures are not normalized for differences in size, service territory, system age, regulatory
7 treatment, or risk profiles between utilities. As such, differences in earned RORs may reflect
8 accounting timing or operational events rather than a persistent structural cost difference that
9 would translate into long-term customer impact.

10 Additionally, earned ROR does not represent what the utility is allowed to earn under
11 Commission-approved rates, nor does it guarantee what customers will experience in future rate
12 proceedings. Therefore, earned ROE does not serve a purpose in comparing rate differences
13 and may lead to inaccurate conclusions and speculative concerns about customer harm
14 or benefit.

15 Q. Does Staff have any additional concerns with Mr. Murray’s testimony?

16 A. Yes. Staff has concerns regarding Mr. Murray’s use of the Water and Sewer
17 Infrastructure Rate Adjustment (“WSIRA”)⁴¹ ROR in his attempt to estimate the potential
18 increase in revenue requirement.⁴²

19 Q. What are Staff’s concerns with Mr. Murray using WSIRA ROR to estimate the
20 potential revenue requirement increase?

³⁹ David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, 1997 Edition, Chapter 1.

⁴⁰ National Association of Regulatory Utility Commissioners (“NARUC”), *Rate Case and Financial Reporting Manual*, 2003 Edition.

⁴¹ MO. REV. STAT. § 393.1503(5) (2025).

⁴² Page 15, Tables on Mr. Murray’s Rebuttal Testimony.

Surrebuttal Testimony of
Johnny Garcia

1 A. WSIRA ROR is not used in rate making when calculating revenue requirement.
2 Staff is concerned that Mr. Murray attempts to compare MAWC’s WSIRA ROR to
3 Confluence’s authorized ROR to compare changes in revenue requirement, which is not
4 appropriate for evaluating revenue requirements when calculating customer rates.⁴³ This
5 comparison is misleading and analytically flawed, as the WSIRA ROR serves a different
6 regulatory purpose and cannot be equated with an authorized ROR from a general
7 rate proceeding.

8 Q. What is the difference between WSIRA ROR and authorized ROR, and why is
9 it inappropriate to compare them?

10 A. As Staff indicated earlier in testimony, the authorized ROR is the
11 Commission-approved rate used to determine the utility’s revenue requirement in a general rate
12 proceeding. It is based on a comprehensive analysis of the utility’s cost of capital, including
13 ROE, cost of debt, and capital structure. In contrast, the WSIRA ROR is a specialized metric
14 used solely for determining the return applicable to eligible infrastructure investments under a
15 limited surcharge mechanism. It is not intended to reflect the utility’s overall cost of capital or
16 to serve as a benchmark in merger or acquisition evaluations.⁴⁴

17 Comparing a revenue requirement developed using MAWC’s WSIRA ROR to a
18 revenue requirement developed using Confluence’s authorized ROR gives a false equivalence
19 between two fundamentally different metrics. Mr. Murray’s attempt to do so appears to be
20 driven by the absence of an authorized ROR for MAWC, due to its history of using black box
21 settlements in general rate cases, which only further illustrates the speculative nature of his

⁴³ Ibid.

⁴⁴ Data Request 0048 and 0048.1; MO. REV. STAT. § 393.1503(5) (2025).

1 claims. As Staff has emphasized numerous times throughout this testimony, without a
2 Commission-approved ROR for MAWC, no meaningful or verifiable ROR comparison can
3 be made.⁴⁵

4 Q. Is ROR the only factor in determining customer rates in a
5 ratemaking proceeding?

6 A. No, the authorized ROR is only one component in calculating the broader
7 revenue requirement, which determines the total amount of money a utility needs to collect
8 from customers. While important, the ROR alone does not dictate customer rates. The revenue
9 requirement consists of several components that reflect the utility's actual cost of
10 providing service.

11 The revenue requirement can be expressed algebraically as:⁴⁶

$$12 \quad R = E + D + T + R(OC - AD)$$

13 Where:

14 R = revenue requirement

15 E = operating expenses

16 D = depreciation (return of capital expenditures)

17 T = income taxes

18 R(OC - AD) = return on capital, or a fair return applied to the utility's net investment
19 in assets

20 OC = original cost of assets devoted to public service

21 AD = accumulated depreciation

⁴⁵ Data Request 0048 and 0048.1.

⁴⁶ David C. Parcell, *The Cost of Capital – A Practitioner's Guide*, 2020 Edition, Chapter 1

Surrebuttal Testimony of
Johnny Garcia

1 The ROR portion can be further defined as:

2 $R = i(D/C) + k(E/C)$

3 Where:

4 R = fair rate of return

5 i = cost of debt

6 D = amount of debt capital

7 k = cost of equity

8 E = amount of equity capital

9 C = total capital ($D + E$)

10 These formulas illustrate that customer rates are not determined by the ROR alone,
11 but by a combination of multiple cost factors, including expenses, depreciation, taxes, and
12 capital investment levels. Consequently, even if two utilities had the same authorized ROR,
13 their overall rates could differ significantly due to differences in operating costs, asset values,
14 or capital structures. Conversely, a utility with a higher ROR might still result in lower
15 customer rates if other components of the revenue requirement are lower.

16 **CONCLUSION**

17 Q. What is Staff's conclusion?

18 A. Staff concludes that there is insufficient evidence to support Mr. Murray's claim
19 that Confluence has a higher cost of capital than MAWC⁴⁷ which may result in higher rates for
20 ratepayers subject to this transaction.⁴⁸ As Staff demonstrated, Mr. Murray failed to prove his
21 assertion due to his reliance on the respective utilities' requested ROR from their most recent

⁴⁷ Page 5, Lines 24-25, Murray's Rebuttal Testimony.

⁴⁸ Page 2, Lines 17-19, Murray's Rebuttal Testimony.

Surrebuttal Testimony of
Johnny Garcia

1 rate proceedings to assert that the proposed acquisition would be detrimental to ratepayers.
2 Due to this being a flawed basis for evaluating customer impacts, it failed to properly
3 substantiate Mr. Murray's claims. Additionally, all of MAWC's recent rate cases resulted in
4 black box settlements leading to a lack of verifiability in comparison to Confluence's most
5 recently authorized ROR.⁴⁹ Any assertion about ratepayer harm from the proposed acquisition
6 based on ROR comparisons is speculative and unfounded. Staff maintains that, due to the
7 absence of a Commission-authorized ROR for MAWC, it is not possible at this time to make a
8 reliable comparison to Confluence's cost of capital or to substantiate Mr. Murray's claim that
9 Confluence's cost of capital is higher.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.

⁴⁹ Case No. WR-2024-0320, *Report & Order-Final*, May 17, 2025, Page 30., Case No. WR-2023-0006, *Report & Order-Final*, October 25, 2023, Page 60 & Page 75, Case No. WR-2022-0303, *Report & Order-Finale*, May 3, 2023, Page 12, Case No. WR-2020-0344, *Order Approving Stipulations & Agreement*, April 7, 2021, Page 2.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
Confluence Rivers Utility Operating Company, Inc.,) Case No. SM-2025-0067
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)

AFFIDAVIT OF JOHNNY GARCIA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JOHNNY GARCIA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Johnny Garcia*; and that the same is true and correct according to his best knowledge and belief.

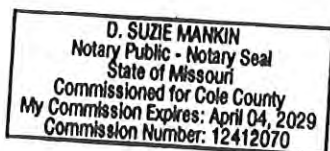
Further the Affiant sayeth not.




JOHNNY GARCIA

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 19th day of May 2025.





Notary Public

Johnny Garcia

Credentials & Case Participation

Present Position:

I am a Financial Analyst in the Financial Analysis Department of the Financial and Business Analysis Division of the Missouri Public Service Commission. I have been employed by the Missouri Public Service Commission since September 2024.

Educational Background:

I earned a Bachelor's of Science in Business Administration in Finance from the University of Central Missouri in Warrensburg, MO.

Case Participation:

Case Number	Company	Case Type/Type of Testimony	Utility Type
WF-2025-0150	Missouri-American Water	Finance - Staff Memorandum	Water
EF-2025-0135	Ameren Missouri	Finance - Staff Memorandum	Electric