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Consolidated Pricing*
Witness: *Jarrod J. Robertson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *SM-2025-0067*
Date Testimony Prepared: *May 23, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

WATER, SEWER, GAS & STEAM DEPARTMENT

SURREBUTTAL TESTIMONY

OF

JARROD J. ROBERTSON

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

CASE NO. SM-2025-0067

*Jefferson City, Missouri
May 2025*

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BUSINESS MODEL

Q. What is Dr. Marke's testimony regarding Confluence's business model, specifically Confluence's practice of hiring contractors to maintain and operate its Commission regulated utility systems?

A. In his testimony, Dr. Marke takes the position that this practice is detrimental to the public interest. Per Dr. Marke's Surrebuttal Testimony, on page 4, lines 1-2, the results of Confluence's business model "are refurbished systems that no longer bare the perceived or realized risk of regulatory compliance that was present before the capital infusion" and, on lines 14-17, "these specific sewer customers are much more likely to pay more, have less technical expertise, and lower scale economies moving forward under Confluence's control than they are currently experiencing."

Q. Has Staff been provided any evidence that the "refurbished systems" being acquired by Confluence receive any less stringent regulatory compliance standards than those of non-distressed or less refurbished systems?

A. No. All systems and associated operating companies regulated by the Commission and the Missouri Department of Natural Resource ("MDNR") are held to the same operating and regulatory standards, regardless of system condition.

Q. Is Confluence unique in hiring such contractors?

A. No. While it is not unusual for smaller companies to hire contractors for many maintenance tasks, it is my understanding that all larger companies, including Missouri-American Water Company ("MAWC"), use contractors to some degree, for varying operation and maintenance tasks ("O/M"), billing, call centers, operators, etc.

1 Q. So, MAWC, much like Confluence, utilizes outsourced contractors for
2 differing tasks?

3 A. Yes. For the sake of comparison, MAWC utilizes outside contractors at multiple
4 systems across Missouri for O/M tasks such as: main breaks, hydrant repairs, lead service line
5 investigation-replacement, etc.

6 Q. Has the Commission found that Confluence's business model is acceptable in
7 other cases?

8 A. Yes. In approximately 37 previous cases before the Commission,
9 the Commission has approved of Confluence either obtaining a new Certificate of Convenience
10 and Necessity ("CCN") for an acquisition or merger involving a combined total of 59 individual
11 systems and operating companies, or, such as in a rate case, continuing to operate with this
12 business model.¹

13 Q. On page 9, lines 5-9, of Dr. Marke's Rebuttal Testimony, Dr. Marke seems to
14 suggest that Confluence should only be allowed to acquire distressed systems, "If approved,
15 those customers [involved in this acquisition by Confluence] will continue to be served by the
16 same non-distressed system under the same tariffed rate but the operations and maintenance of
17 the system will be conducted by third and fourth parties by a much, much smaller private utility
18 that specializes in acquiring capital intensive distressed systems whose costs are largely borne
19 by its existing customers." Would all systems approved for acquisition by Confluence be
20 defined as "distressed" systems?

21 A. With the disclaimer that at some point, determining whether a system is
22 distressed or non-distressed is subjective, the simple answer is, no. There have been several

¹ Schedule JJR-s1.

1 acquisitions approved for Confluence which involve systems that may be described as
2 “non-distressed,” with one example being Lake Sherwood Estates, acquired in Case
3 No. WA-2024-0048.

4 Q. What was OPC’s official response to Staff recommending approval of this
5 “non-distressed” system by Confluence?

6 A. According to OPC’s response to Staff’s recommendation, *Public Counsel’s*
7 *Response*, filed in the Commission’s online Electronic Filing and Information System (“EFIS”),
8 on March 22, 2024, “The OPC is not opposing Confluence’s acquisition of the Lake Sherwood
9 Estates water and sewer systems, subject to Staff’s conditions.”

10 Q. In a question above, you indicated that Dr. Marke suggested that customers of
11 these systems would see lower scale economies if the transfer is approved. Do you have any
12 thoughts about that statement?

13 A. Yes. It appears that Dr. Marke is comparing the size of MAWC to Confluence
14 and is suggesting that since Confluence is a smaller utility operating company, the customers
15 will somehow receive a lower standard of utility service. While it is true that the concept of
16 economies of scale are more pronounced with larger utilities, it does not necessarily mean that
17 customers of smaller utilities are harmed. Further, it would only make sense that if economies
18 of scale were a concern, allowing Confluence to purchase more systems, regardless of whether
19 or not they are distressed, would increase Confluence’s ability to achieve economies of scale
20 similar to or in excess of MAWC. Thus, it appears to Staff that Dr. Marke’s concern regarding
21 economies of scale is misplaced, not only in how it relates to this particular acquisition case,
22 but also in how it could negatively affect growth for smaller utility operating companies in
23 the future.

1 Q. Is there anything else in Dr. Marke's rebuttal testimony you'd like to address
2 regarding Confluence's business model?

3 A. Yes. On page 4, lines 3-8, Dr. Marke postulates that Confluence's business
4 model "places a considerable amount of faith in 3rd and potentially 4th party vendors that can
5 increase the operational, reputational, financial, and cyber/physical asset risk of the service
6 provided. It also raises concerns regarding overspending if Central State Water Resources
7 ("CSWR") is not diligent with its Request for Proposal ("RFP") process (or fails to have one).
8 There is also heightened risk for either intentional or unintentional double-dealing as
9 acquisitions and complexity increase."

10 Q. As a result of Confluence's business model, has Staff witnessed the presence of
11 any of the aforementioned issues?

12 A. During Confluence's most recent rate case, WR-2023-0006, Staff presented
13 some operational issues. As a result of Staff presenting these operational issues, Confluence
14 hired additional personnel to oversee contract operators, and changed some internal practices.
15 Since that time, Staff has not witnessed an increase in risk associated with the service being
16 provided by Confluence. Staff has never found a lack of prudence regarding Confluence's
17 investments, or any evidence concerning the possibility of irregular and/or un-ethical
18 business dealings.

19 Q. Has any evidence been provided to Staff showing that customers under
20 Confluence's business model have received poorer service than those customers under
21 MAWC's business model?

22 A. Service will be covered in the Surrebuttal Testimony of Staff witness
23 Adam Stamp.

CONSOLIDATED RATES

Q. What about Dr. Marke's testimony, concerning consolidated rates (which Dr. Marke refers to as consolidated pricing) will you be addressing?

A. I will be addressing Dr. Marke's assertion that Confluence acquiring additional systems has a negative impact on customers due to consolidated rates. Per Dr. Marke's testimony, page 4, lines 11-13, "the costs associated with bringing distressed systems into compliance will likely be borne by customers who did not cause these costs nor will benefit from the investment."

Q. Doesn't MAWC also have consolidated rates?

A. Yes, both utility companies, MAWC and Confluence, operate under consolidated tariffed rates as approved by the Commission in each company's most recent rate cases, Case No. WR-2022-0303, and Case No. WR-2023-0006, respectively. The Commission has determined that consolidated tariff rates convey benefits, such as spreading out costs related to investment and limiting the potential of rate shock, to customers and are just and reasonable.

Q. Has either company made investments in a system or systems, where costs were recovered via consolidated tariff pricing?

A. Yes, both companies have made financial investments for upgrades and/or maintenance, where cost recovery through consolidation has lessened the impact on any one customer base/individual system.

CONCLUSION

Q. Dr. Marke seems to take the position that it may cost more for Confluence to operate these systems, and therefore the transaction is detrimental to public interest. What is Staff's response?

1 A. It is important to keep in mind that simply because a customer may experience
2 higher rates, this does not in and of itself mean that the acquisition is detrimental to the public
3 interest. Also, Dr. Marke's testimony regarding Confluence's business model infers that
4 Confluence should only be allowed to acquire distressed systems. This is a flawed position in
5 that it, first, ignores the Commission's desire to remain neutral, as it pertains to which entity
6 may sell to whomever, and second, if each and every system acquired by Confluence were only
7 "distressed" systems, the resulting rates experienced by Confluence customers would be even
8 greater than those rates currently in place.

9 Q. What does Staff recommend in this case?

10 A. Staff recommends the Commission approve of the acquisition as outlined in
11 Staff's Recommendation, filed, December 30, 2024.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes, it does.

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 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 *Surrebuttal Testimony of Jarrod J. Robertson*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

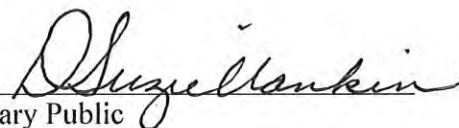


JARROD J. ROBERTSON

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 19th day of May 2025.





Notary Public

WA

WA-2025-0012 (SA-2025-0013) - Creekside Development

WA-2024-0048 (SA-2024-0049) - Lake Sherwood Estates

WA-2023-0450 - Johnson Bay, Brussels & Mapaville

WA-2023-0398 (SA-2023-0396) - Quail Run

WA-2023-0284 - Four Seasons & North MHP

WA-2023-0092 (SA-2023-0093) - Stone Ridge Meadow

WA-2023-0026 (SA-2023-0027) - Glenn Meadow

WA-2023-0003 - Tan Tar A

WA-2021-0425 (SA-2021-0426) - Cedar Green, Ozarks Clean Water & The Missing Well

WA-2019-0299 - Port Perry

WA-2019-0185 (SA-2019-0186) - Osage Water Company

SA

SA-2025-0013 - Creekside Development

SA-2024-0307 - Timber Ridge

SA-2024-0129 - Country Life Acres

SA-2023-0451 - Lincoln County Water & Sewer

SA-2023-0437 - City of Luray

SA-2023-0285 - Four Seasons

SA-2023-0215 - Kenneth Jaeger

SA-2023-0187 - Oasis MHP

SA-2022-0299 - Deer Run Estates

SA-2019-0300 - Port Perry

WM

WM-2025-0065 - Gascony Water Company

WM-2021-0412 - Elm Hills Utility Operating Company, Hillcrest Utility Operating Company, Indian Hills Utility Operating Company, Osage Utility Operating Company & Raccoon Creek Utility Operating Company

WM-2020-0403 - Terre Du Lac Utilities Corporation

WM-2020-0282 - Branson Cedars Resort Utility Company, DeGuire Subdivision, Freeman Hills Subdivision Association, MPB Inc. & P.A.G.

WM-2018-0116 (SM-2018-0117) - Calvey Brook Sewer, Eugene Missouri Water System, Evergreen Lake Water Company, Forrest Ridge, Gladlo Water & Sewer Company, MPB, Majestic Lakes Homeowners Association, Mill Creek Sewers, Port Perry Service Company, Roy-L Utilities, Silas Properties, Smithview H2O Company & The Willows Utility Company

SM

SM-2025-0080 - United Fiber

SM-2025-0067 - Big Sky Subdivision, Calley Trail, Cedar Hills Subdivision, Dogwood Lake, Evergreen Drive Acres, Golden Ponds Lagoon, Halifax Road, Hidden Valley, Hiller's Creek, Lee Street, Maple Leaf, Ozark Meadows, Ryan's Lake Subdivision, Southwind Meadows, Sterling Ridge, Stoney Creek, Summit View & The Highlands

SM-2024-0130 - North Oak Sewers

SM-2021-0413 - Elm Hills Operating Company, Hillcrest Utility Operating Company, Osage Utility Operating Company & Raccoon Creek Utility Operating Company

SM-2020-0404 - Terre Du Lac Utilities Corporation

SM-2020-0283 - Branson Cedars Resort Utility Company & Terre Du Lac Utilities Corporation

WR

WR-2023-0006 - Confluence Rivers Utility Operating Company

WR-2020-0275 - Elm Hills Utility Operating Company

WR-2020-0053 - Confluence Rives Utility Operating Company

*Highlights represent cases still open before the Commission.