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## Exhibit No. 300

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David Murray Testimony  
Rebuttal  
File No. SM-2025-0067

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

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**Case No.:**

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Cost of Service  
Murray/Rebuttal  
Public Counsel  
SM-2025-0067

**REBUTTAL TESTIMONY**

**OF**

**DAVID MURRAY**

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. SM-2025-0067

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Denotes Confidential Information that has been redacted.

April 21, 2025

**CONFIDENTIAL**

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**REBUTTAL TESTIMONY**

**OF**

**DAVID MURRAY**

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

**FILE NO. SM-2025-0067**

**Q. Please state your name and business address.**

A. My name is David Murray and my business address is P.O. Box 2230, Jefferson City, Missouri 65102.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Regulatory Manager.

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of the OPC.

**Q. What are you addressing in your rebuttal testimony?**

A. I am addressing the Joint Application and Motion for Waiver (the “Joint Application”) and Direct Testimony filed by Confluence Rivers Utility Operating Company, Inc. (“Confluence”) and Missouri-American Water Company (“MAWC”) (together hereinafter referred to as “the Companies”), which request and support the Companies’ request for Commission authority to allow Confluence to acquire nineteen (19) wastewater systems from MAWC.

I will address the following issues: (1) the standard for Commission approval of the proposed transaction, (2) current and assumed customer rates, (3) discrepancies in information provided with the application compared to responses to data requests, (4) insufficiency of specific analysis to demonstrate approval of the transaction would not be detrimental to the public, and (5) my analysis of capital costs that are projected to be higher under Confluence’s ownership.

1 **Q. What is your expertise?**

2 A. Please see Schedule DM-R-1 for my qualifications as well as a summary of the cases in  
3 which I have sponsored testimony on rate-of-return (“ROR”) and other ratemaking issues.

4 **STANDARD**

5 **Q. What is your understanding of the standard the Companies must meet for the**  
6 **Commission to authorize the proposed transaction?**

7 A. Though I am not a lawyer, it is my understanding that the Companies must prove to the  
8 Commission that the proposed transaction is not detrimental to the public interest. As I  
9 understand it, the Commission must balance all the benefits and detriments in reaching its  
10 decision.

11 **Q. Have you identified a likely detriment to customers as a result of Confluence**  
12 **acquiring these systems?**

13 A. Yes. The most obvious impact the public would consider detrimental is if they are charged  
14 higher rates for the same utility service under Confluence’s ownership rather than  
15 MAWC’s ownership. As I will explain below, I have identified specific items which would  
16 cause Confluence’s cost of service for the nineteen systems to be higher than MAWC’s  
17 cost of service for these nineteen systems. Unless Confluence can prove a reduction in  
18 other cost of service items, this higher cost of service may result in higher rates for  
19 customers.

20 **Q. Briefly, which cost-of-service items would be higher under Confluence’s ownership?**

21 A. Confluence’s cost of capital, its planned capital expenditures, and a higher depreciation  
22 expense due to a projected higher net plant in service balance (together, I will refer to these  
23 cost-of-service items as “capital costs”).

1 **Q. Have the Companies identified any specific benefit or reduction in the other cost of**  
2 **service items to offset the higher capital costs?**

3 A. No. As I will address in greater detail below, as of the filing of this testimony, the  
4 Companies have provided nothing to quantify a reduction in the cost of service to the  
5 systems and have provided no specific information about a benefit that will result to the  
6 customers of these systems as a result of Confluence's ownership. Rather, they continue  
7 to rely on vague statements that allude to questionable benefits.

8 **CUSTOMER RATES**

9 **Q. Is Confluence requesting a rate increase in conjunction with the proposed**  
10 **transaction?**

11 A. No. Paragraph 16 of the Companies' Joint Application indicates that Confluence proposes  
12 to adopt MAWC's existing base rate of \$65.36/month if the Commission authorizes the  
13 transaction.<sup>1</sup>

14 **Q. What rates does Confluence currently charge its wastewater customers for similar**  
15 **service?**

16 A. \$60.21/month for District 1 wastewater customers and \$70.83/month for District 2  
17 wastewater customers.

18 **Q. What District is likely to apply to the nineteen systems?**

19 A. Both. Confluence maintains that four of the systems are consistent with District 1  
20 characteristics, which captures systems with limited treatment technology, including  
21 lagoon and land application systems. Confluence views the other fifteen systems as being  
22 consistent with District 2 characteristics, which are more advanced and costly due to  
23 treatment technology.<sup>2</sup>

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<sup>1</sup> After adding a \$2.19 per month charge for WSIRA, the customers of the nineteen systems are currently paying an all-in rate of \$67.55.

<sup>2</sup> Confluence's response to OPC Data Request No. 14 (*see* Schedule DM-R-2).

1 **Q. Are the rates MAWC charges for these systems likely to change soon?**

2 A. Yes. MAWC has a general rate case (Case No. WR-2024-0320) pending before the  
3 Commission. While the revenue requirement has been settled in that case, the assignment  
4 of the revenue requirement to the various customer classes has yet to be resolved.<sup>3</sup>

5 **Q. When would Confluence change rates for these systems if the Commission allows it  
6 to acquire them?**

7 A. Likely in its next general rate case.<sup>4</sup> Confluence projects it will file this rate case in the  
8 third or fourth quarter of 2025.<sup>5</sup>

9 **Q. What rate did Confluence assume it would eventually charge ratepayers of the  
10 nineteen systems for purposes of preparing the pro forma financial statements it  
11 attached to the Joint Application?**

12 A. \*\* \_\_\_\_\_ \*\*.<sup>6</sup>

13 **Q. Do you know if Confluence's next general rate case will result in customers paying  
14 rates this high?**

15 A. I do not know for sure.<sup>7</sup> The rate cited above is the only figure supporting the Joint  
16 Application. Therefore, unless Confluence provides insight as to its anticipated rate  
17 increase in its next general rate case, this is the only estimated rate currently before the  
18 Commission.

19 My analysis below focuses on specific cost of service elements that are higher under  
20 Confluence's ownership as compared to MAWC's ownership. These higher cost of service  
21 elements may affect customers' rates if no savings are identified.

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<sup>3</sup> Confluence's response to OPC Data Request No. 39 states it intends to adopt the rates in effect at the time the Commission approves the proposed acquisition (*see* Schedule DM-R-2).

<sup>4</sup> Confluence's response to OPC Data Request No. 30 (*see* Schedule DM-R-2).

<sup>5</sup> Confluence's response to OPC Data Request No. 29 (*see* Schedule DM-R-2).

<sup>6</sup> Confluence's Response to Staff Data Request No. 0024.

<sup>7</sup> Confluence's response to OPC Data Request No. 31 (*see* Schedule DM-R-2).

**ACCURACY OF INFORMATION**

**Q. Have you noticed anything which causes you concern about the reliability/usefulness of the information the Companies provided to the Commission to assess the proposed transaction?**

A. Yes. In Paragraph 11 of the Joint Application, the Companies identify the 19 wastewater systems that are the subject of the proposed transaction. Paragraph 11 also identifies each system's number of connections with 67 identified for the Hunter's Creek system. As a customer of the Hunter's Creek system, I can attest that the Hunter's Creek subdivision has 52 single-family household connections, not the 67 identified in the Joint Application. The 52 connections are consistent with MAWC's response to OPC Data Request No. 2 as well as the number of connections identified in the engineering report Confluence provided in response to Staff Data Request No. 0027.

Although I cannot personally attest to the accuracy of the number of connections identified for the other systems, I did note discrepancies between the number of connections identified in the Joint Application compared to the connections identified in engineering reports Confluence provided in response to Staff Data Request No. 0027. The largest discrepancies concerned the "Halifax Road" system (engineering report – 60 connections vs. Joint Application – 38 connections) and "The Highlands" system (engineering report – 62 connections vs. Joint Application – 29 connections). Unlike the Hunter's Creek system, the connections MAWC identified in response to OPC Data Request No. 2 for these two systems are similar to the number of connections identified in the Joint Application.

Because neither the Companies nor Staff performed a cost-of-service comparison, the discrepancy in the number of connections is not likely to change their Joint Application or recommendation, respectively. However, as I will explain when discussing Confluence's higher cost of capital as compared to MAWC's cost of capital, if such rate analysis had been performed, the number of connections is a key variable in estimating the cost of service per connection.



1 **Q. What is the total number of connections for the nineteen systems as identified in the**  
2 **Joint Application?**

3 A. 606.

4 **Q. What is the total number of connections for the nineteen systems as identified in the**  
5 **engineering reports?**

6 A. 655. This is 49 more connections than what was identified in the Joint Application.

7 **SUFFICIENCY OF INFORMATION**

8 **Q. Did the Companies' Joint Application imply that the proposed transaction would**  
9 **result in lower costs for the Companies?**

10 A. Yes. The "Summary" of the Companies' Joint Application states that the proposed  
11 transaction would result in "improved efficiency, better resource allocation, and enhanced  
12 service for the customers of both the facilities managed by MAWC and the systems to be  
13 acquired by Confluence."<sup>8</sup> Paragraph 18 of the Joint Application states that the acquisition  
14 should drive "further economies in operational costs."<sup>9</sup>

15 **Q. Did OPC request the Companies provide more specific detail related to these general**  
16 **statements?**

17 A. Yes. OPC requested the Companies provide more detail related to the analysis the  
18 Companies performed to support these general statements. Specifically, as it relates to  
19 "further economies in operational costs," neither Company has quantified operational cost  
20 savings.<sup>10</sup> MAWC generally states that it believes that the two employees currently

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<sup>8</sup> Joint Application, page 1.

<sup>9</sup> *Id.*, page 6.

<sup>10</sup> Although Confluence provided "preliminary estimates to operation costs or expenses that may arise as a result from the acquisition of these systems" in Appendix E-C to the Joint Application, in its response to OPC DR 8 it stated that "[a]t this time, Confluence Rivers is unable to determine specific changes in operational costs or expenses that may arise as a result of the acquisition of the systems at issue in this case." Confluence response to OPC DR 8 (*see* Schedule DM-R-2).

Similarly, in response to a question about benefits to MAWC's remaining customers, MAWC stated that "[a]ny reduction in cost of service will not be able to be quantified until the new operational plan is put into place. MAWC will have a better sense of any savings incurred in O&M once that plan has been executed." MAWC response to OPC DR 26 (*see* Schedule DM-R-3).

1 responsible for operating and maintaining the systems will be able to dedicate their time  
2 and expertise to MAWC's larger wastewater systems in the area<sup>11</sup>.

3 **Q. Has Confluence provided any specific information to compare its estimated third-**  
4 **party contractor costs to MAWC's internal costs to operate and maintain the**  
5 **systems?**

6 A. No.<sup>12</sup> In fact, Confluence states that it "does not have information regarding how many  
7 individuals it would take to operate and maintain each of the systems being acquired in this  
8 case."<sup>13</sup> It states that it "intends to enter into a third-party operations and maintenance  
9 contract to serve these customers,"<sup>14</sup> but states that it "has yet to finalize an operations and  
10 maintenance contract for the operation of the nineteen systems."<sup>15</sup>

11 **Q. Did the Companies provide either with the Joint Application or in Direct Testimony**  
12 **a comparison related to the general and administrative ("G&A") expenses (i.e.**  
13 **overhead) that Confluence would allocate to the systems compared to the G&A**  
14 **MAWC currently allocates to the systems?**

15 A. No.

16 **Q. Did the Companies provide either with the Joint Application or in Direct Testimony**  
17 **a comparison of the cost of capital that Confluence would charge on investments in**  
18 **the systems compared to the cost of capital MAWC charges on investments in the**  
19 **systems?**

20 A. No.

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<sup>11</sup> MAWC response to OPC DR 26 (*see* Schedule DM-R-3).

<sup>12</sup> Appendix E-C attached to the Joint Application shows a generic estimate for outside labor expenses, but there was no comparison of MAWC's operational costs to Confluence's estimated operational costs.

<sup>13</sup> Confluence response to OPC DR 17 (*see* Schedule DM-R-2).

<sup>14</sup> *Id.*

<sup>15</sup> Confluence response to OPC DR 18 (*see* Schedule DM-R-2).

1 **Q. Did the Companies provide either with the Joint Application or in Direct Testimony**  
2 **a comparison of Confluence's planned capital investments in the systems compared**  
3 **to MAWC's planned capital investments?**

4 A. No.

5 **Q. Did OPC perform discovery to determine if the Companies had performed a**  
6 **comparison of operating and overhead costs, but did not include them with their**  
7 **testimonies or the Joint Application?**

8 A. Yes. The OPC issued data requests to the Companies about potential comparisons of  
9 overhead and operating costs for the nineteen systems. Neither company had performed  
10 this cost analysis.<sup>16</sup>

11 **DIFFERENCES BETWEEN CONFLUENCE AND MAWC AND THEIR**  
12 **EFFECTS ON CUSTOMER RATES**

13 **Q. What are the differences between MAWC and Confluence that you analyzed in this**  
14 **case?**

15 A. The differences that I analyzed are: (1) Confluence's higher initial plant balances; (2) each  
16 Company's capital budget for the nineteen systems; and (3) their costs of capital. I will  
17 address each of these below.

18 **Q. Did MAWC develop a capital budget for the nineteen systems?**

19 A. Yes. MAWC projected \*\* \_\_\_\_\_ \*\* in investments for three of the nineteen  
20 systems over the next five years.<sup>17</sup> MAWC did not identify any significant investment  
21 required for the other sixteen systems.<sup>18</sup>

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<sup>16</sup> Confluence's responses to OPC DRs 6 and 7 (see Schedule DM-R-2). MAWC's responses to OPC DRs 3 (see Schedule DM-R-4) and 4 (see Schedule DM-R-5).

<sup>17</sup> MAWC response to OPC DR 31 (see Schedule DM-R-6).

<sup>18</sup> *Id.*

**Q. What is Confluence’s capital plan for the nineteen systems?**

A. The Companies did not provide detailed information in the Joint Application as it relates to investments in the systems. However, in response to OPC Data Request No. 11, Confluence directed OPC to information it provided in response to Staff Data Request No. 0027. The information provided in response to Staff Data Request No. 0027 identified potential capital improvements to all nineteen systems, which totaled approximately \*\* \_\_\_\_\_ \*\* in additional investments.

**Q. Did you analyze specific aspects of Confluence’s cost structure compared to MAWC’s cost structure?**

A. Yes. I am intimately familiar with the cost of capital for each company due to my analysis and recommendations as to a fair and reasonable rate of return (“ROR”) for each company in their respective general rate cases. Confluence’s incurred cost of capital and requested ROR is and has been higher than MAWC’s incurred cost of capital and requested ROR since Confluence and its predecessor’s inception in 2014.

**Q. Can you provide each company’s recent opinions about their cost of capital?**

A. Yes. In Confluence’s most recent rate case, Case No. WR-2023-0006, it requested an authorized ROR premised on a ratemaking capital structure consisting of 68.56% common equity and 31.44% long-term debt.<sup>19</sup> In that same case, Confluence requested a 11.35% return on equity (“ROE”)<sup>20</sup> and a 6.60% cost of long-term debt.<sup>21</sup> After applying the cost of capital inputs to their weightings in Confluence’s recommended capital structure and factoring in Confluence’s requested income tax rate of 24.92%, Confluence’s requested pre-tax ROR was 12.44%.

In MAWC’s most recent rate case, Case No. WR-2024-0320, it requested an authorized ROR premised on a ratemaking capital structure consisting of 50.39% common equity and

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<sup>19</sup> Ex. 7 “D’Ascendis Direct Test.” 2-3, 15, Case No. WR-2023-0006, Doc. 178. The Commission in that case authorized Confluence to use a capital structure consisting of 50% equity and 50% debt. Comm’n Report & Order 46, Case No. WR-2023-0006, Doc. 291.

<sup>20</sup> The Commission found that a 9.90% ROE appropriate. Comm’n Report & Order 60, Case No. WR-2023-0006.

<sup>21</sup> D’Ascendis Direct Test. 2-3, 5. The Commission authorized Confluence to use a 6.60% cost of debt. Comm’n Report & Order 47-48, Case No. WR-2023-0006.

49.61% long-term debt.<sup>22</sup> MAWC requested a 10.75% ROE<sup>23</sup> and a 4.56% cost of long-term debt.<sup>24</sup> After applying the cost of capital inputs to their weightings in MAWC's recommended capital structure and factoring in MAWC's requested income tax rate of 23.84%, MAWC's requested pre-tax ROR was 9.37%, over 300 basis points lower than Confluence's requested pre-tax ROR.

**Analysis: Inputs Used**

**Q. Did you perform analyses to determine how these differences between MAWC and Confluence may affect customers' rates?**

A. Yes, I performed analyses to determine how each of these differences may affect customers' rates.

**Q. In completing your analyses, what other assumptions did you make for purposes of your comparison of capital costs between MAWC and Confluence?**

A. I assumed a depreciation rate of 3%, which is consistent with Confluence's assumption in its pro forma financial statements. I also assumed 606 connections for converting aggregate capital cost estimates to per connection estimates. Importantly, if there are more connections than 606, such as those included in the engineering reports, all the per connection estimates would be lower.

**Q. What net plant in service did Staff estimate for the nineteen systems?**

A. \*\* \_\_\_\_\_ \*\*

**Q. What net plant in service did Confluence identify in the projected financial statements it attached to the Joint Application?**

A. \*\* \_\_\_\_\_ \*\*

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<sup>22</sup> LaGrand Supplemental Direct Test. Attachment 1, Case No. WR-2024-0320, Doc. 46.

<sup>23</sup> Bulkley Direct Test. 8, Case No. WR-2024-0320, Doc. 13.

<sup>24</sup> LaGrand Supplemental Direct Test. Attachment 1, Case No. WR-2024-0320.

1 **Q. Do the projected financial statements imply Confluence may request recovery of**  
2 **additional costs in addition to the purchase price?**

3 A. Yes. The projected financial statements also identify \*\* \_\_\_\_\_ \*\* in “preliminary  
4 survey” costs. The total of net plant in service and “preliminary survey” costs imply a total  
5 potential rate base of \*\* \_\_\_\_\_ \*\*

6 **Q. Did the analysis you performed for purposes of the OPC’s January 9, 2025, response**  
7 **to Staff’s recommendation include the \*\* \_\_\_\_\_ \*\* of “preliminary survey” costs**  
8 **in anticipated rate base?**

9 A. No. I forgot to include this amount in my analysis. However, because it appears  
10 Confluence intends to request the preliminary survey costs be included in rate base for  
11 recovery, I am amending my analysis to include the amount.

12 **Analysis: Effects on Customers’ Rates**

13 **Q. What is your estimate of the impact on the potential requested revenue requirement**  
14 **for these systems based on the difference between MAWC’s requested ROR (9.37%)**  
15 **compared to Confluence’s requested ROR (12.44%)?**

16 A. For purposes of isolating the potential rate increase due solely to Confluence’s higher  
17 requested ROR, I used the same book value of \*\* \_\_\_\_\_ \*\* identified in Staff’s  
18 recommendation. Based on this assumption, Confluence’s requested ROR causes an  
19 increase in the revenue requirement of \$47,631/year, or \$79/connection per year.

20 **Q. How would Confluence’s higher anticipated rate base of \*\* \_\_\_\_\_ \*\* impact the**  
21 **requested revenue requirement?**

22 A. Applying Confluence’s requested ROR to this higher rate base causes an increase in the  
23 revenue requirement of \$95,668/year, or \$158/connection per year.

1 **Q. If Confluence's rate base of \*\* \_\_\_\_\_ \*\*is depreciated at the same 3% rate**  
2 **Confluence assumed in its projected financials, how does this impact the depreciation**  
3 **expense that would be assigned to these systems?**

4 A. It would increase the annual depreciation expense by \$11,585 on an annual basis, which  
5 equates to \$19/customer.

6 **Q. Combining the ROR and depreciation impact, how much higher would the revenue**  
7 **requirement for the nineteen systems be due solely to a change from MAWC to**  
8 **Confluence ownership?**

9 A. The annual revenue requirement due to a higher rate base, higher ROR and additional  
10 depreciation expense would be \$107,253 higher or \$177/customer than under MAWC's  
11 ownership.

12 **Q. As it relates to the projected amount of capital expenditures identified in Appendix**  
13 **E-C attached to the Joint Application, which company compiled these estimates?**

14 A. Confluence. Attachment E-C shows that Confluence plans to invest approximately \*\* \_\_\_\_  
15 \_\_\_\_\_ \*\* in property, plant and equipment for the nineteen systems over the next four  
16 years. This amount corresponds with the total capital expenditures identified in the  
17 engineering reports Confluence provided in response to Staff's Data Request No. 27.

18 **Q. Did MAWC develop its own capital budget for these systems for the next five years?**

19 A. Yes. As I mentioned earlier in my testimony, MAWC identified capital expenditure needs  
20 for three of the nineteen systems. MAWC anticipated investing \*\* \_\_\_\_\_ \*\* in  
21 two of the nineteen systems in the next year and \*\* \_\_\_\_\_ \*\* in another system in  
22 2029, for a total of \*\* \_\_\_\_\_ \*\*<sup>25</sup>

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<sup>25</sup> MAWC response to OPC DR 31 (see Schedule DM-R-6).

1 **Q. Can you provide a revenue requirement comparison attributed to investment and**  
2 **ROR for each company for anticipated capital expenditures over the next three**  
3 **years?**

4 A. Yes. Under Confluence's scenario of \*\* \_\_\_\_\_ \*\* of planned capital expenditures  
5 over the next three years, the projected rate base is \*\* \_\_\_\_\_. \*\* Under MAWC's  
6 scenario of \*\* \_\_\_\_\_ \*\* of planned capital expenditures over the next three years,  
7 the projected rate base is \*\* \_\_\_\_\_ \*\* As a result of Confluence's higher rate base  
8 and higher requested ROR, the revenue requirement would be \$250,851/year or  
9 \$414/customer per year higher than under MAWC's lower rate base and lower requested  
10 ROR.

11 **Q. What if you included each company's total projected capital expenditure over the**  
12 **next five years?**

13 A. Under Confluence's scenario of \*\* \_\_\_\_\_ \*\* of planned capital expenditures, the  
14 projected rate base is \*\* \_\_\_\_\_ \*\* Under MAWC's scenario of \*\* \_\_\_\_\_  
15 \*\* of planned capital expenditures, the projected rate base is \*\* \_\_\_\_\_ \*\* As a result  
16 of Confluence's higher rate base and higher requested ROR, the revenue requirement  
17 would be \$373,371/year or \$616.12/customer per year higher than under MAWC's lower  
18 rate base and lower requested ROR.

19 **Q. In OPC's response to Staff's recommendation, you also provided a revenue**  
20 **requirement comparison based on the Commission's authorized ROR for Confluence**  
21 **in Case No. WR-2023-0006 and the ROR parameters specified for MAWC's WSIRA**  
22 **applications. Can you provide the revenue requirement impact based on these**  
23 **parameters as well?**

24 A. Yes, but I should note that I am updating the WSIRA ROR parameters recently specified  
25 in the Stipulation and Agreement filed in Case No. WR-2024-0320, MAWC's currently  
26 pending rate case. The parties to Case No. WR-2024-0320 agreed to an after-tax ROR of  
27 7.00%<sup>26</sup>, which I estimate implies an 8.49% pre-tax ROR. At the time OPC provided its

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<sup>26</sup> Case No. WR-2024-0320, "Revenue Requirement Stipulation and Agreement," March 17, 2025, Paragraph 5.a.



1 response to Staff's recommendation in this case, I had used the WSIRA ROR agreed to in  
2 MAWC's previous rate case, Case No. WR-2022-0303.

3 Before any additional investments are made to the systems, the impact of Confluence's  
4 higher authorized ROR and potential higher rate base would cause an increase in the  
5 revenue requirement of \$71,642/year or \$118/customer per year.

6 Based on the anticipated expenditures under each company's three-year capital expenditure  
7 plans, the impact of Confluence's higher authorized ROR and potential higher rate base  
8 would cause an annual increase in the revenue requirement of \$158,983/year or  
9 \$262/customer per year.

10 Based on the anticipated expenditures under each company's five-year capital expenditure  
11 plans, the impact of Confluence's higher authorized ROR and potential higher rate base  
12 would cause an increase in the revenue requirement of \$249,478/year or \$412/customer  
13 per year.

14 **Analysis: Summary**

15 **Q. Can you provide a concise comparison of the various cost of service scenarios you**  
16 **explained in your testimony?**

17 **A.** Yes. The following tables provide each scenario I analyzed to determine potential cost-of-  
18 service impacts of Confluence's ownership of the nineteen systems compared to MAWC's  
19 ownership of the nineteen systems:

<b>DIFFERENCES BASED ON MAWC'S AND CONFLUENCE'S REQUESTED RATE OF RETURNS IN MOST RECENT RATE CASES AND RATE BASE DIFFERENCES*</b>			
<b>Scenario</b>	<b>MAWC Annual Capital Cost Per Connection</b>	<b>Confluence Annual Capital Cost Per Connection</b>	<b>Increase in Annual Capital Cost Per Connection</b>
Change in Ownership – No Investment	\$317	\$494	<b>\$177</b>
Three Years of Planned Capital Investment	\$894	\$1,308	<b>\$414</b>
Five Years of Planned Capital Investment	\$1,104	\$1,720	<b>\$616</b>

\*(3% depreciation rate assumed for both Companies)

<b>DIFFERENCES BASED ON MAWC'S WSIRA ROR AND CONFLUENCE'S AUTHORIZED ROR IN MOST RECENT RATE CASE AND RATE BASE DIFFERENCES**</b>			
<b>Scenario</b>	<b>MAWC Annual Capital Cost Per Connection</b>	<b>Confluence Annual Capital Cost Per Connection</b>	<b>Increase in Annual Capital Cost Per Connection</b>
Change in Ownership – No Investment	\$295	\$413	<b>\$118</b>
Three Years of Planned Capital Investment	\$830	\$1,092	<b>\$262</b>
Five Years of Planned Capital Investment	\$1,024	\$1,436	<b>\$412</b>

\*\* (3% depreciation rate assumed for both Companies)

**CONCLUSION**

**Q. Have you identified any detriments to customers as a result of Confluence's acquisition of these nineteen systems?**

A. Yes. As explained above, I have identified specific cost-of-service items that would be higher under Confluence's ownership.

**Q. Is it possible that Confluence could offset the higher revenue requirement from higher capital costs through cost efficiencies, such as operations and maintenance expense and allocated overhead expenses?**

A. It is possible, but neither MAWC nor Confluence have provided evidence demonstrating Confluence's plan to reduce other costs to ensure the costs to serve these systems will not be higher than MAWC's costs to serve these systems.

**Q. With only the information presented, if the Commission approves the proposed transaction, can it ensure the proposed transaction is not detrimental to the public?**

A. No. I have identified specific items which would cause Confluence's cost of service for the nineteen systems to be higher than MAWC's cost of service for these nineteen systems. The Companies, on the other hand, have provided nothing to quantify a reduction in the cost of service to the systems and have provided no specific information about a benefit that will result to the customers of these systems as a result of Confluence's ownership. Rather, they continue to rely on vague statements that allude to questionable benefits.

**Q. Should the Commission approve the proposed transaction?**

A. No. While the OPC's January 9, 2025, response to Staff's December 30, 2024, recommendation had recommended conditions to impose to protect ratepayers from Confluence's higher cost of capital, after performing discovery and further analysis, there are other cost of service elements and quality of service issues that the OPC does not believe a conditional approval can overcome. The evidence provided in the Joint Application fails to demonstrate the proposed transaction will not be detrimental to the public interest.

1     **Q.     Does this conclude your rebuttal testimony?**

2     A.     Yes.

**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 ) Case No. SM-2025-0067  
Confluence Rivers Utility Operating )  
Company, Inc. to Acquire Certain Sewer )  
Assets of Missouri-American Water )  
Company in Callaway and Morgan )  
Counties, Missouri )

**AFFIDAVIT OF DAVID MURRAY**

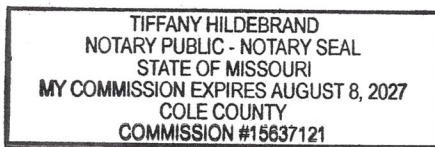
**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF COLE** )

David Murray, of lawful age and being first duly sworn, deposes and states:

1. My name is David Murray. I am a Utility Regulatory Manager for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
David Murray  
Utility Regulatory Manager

Subscribed and sworn to me this 18<sup>th</sup> day of April 2025.



  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public

My Commission expires August 8, 2027.