

**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)

Case No. SM-2025-0067

**PUBLIC COUNSEL’S RESPONSES TO CONFLUENCE RIVERS
& MAWC’S DATA REQUEST NOS. 6-10**

6. Does Mr. Murray believe it’s possible to achieve economies of scale or improvements in existing economies of scale without seeing a corresponding reduction in a utility’s overall operational costs? Explain your answer.

Answer: Yes, it’s possible, but the Companies have not provided information proving such in their Joint Application, Direct Testimony and/or discovery responses in this case. If a company consolidates its corporate services and/or financings at one level to service several operating subsidiaries or divisions of a company, this scale can reduce a company’s overall cost structure. In fact, this is one of Mr. Murray’s primary concerns in this case. While Mr. Murray has been unable to determine the potential change in general and administrative costs that may be assigned to these systems if Confluence is authorized to acquire the systems from MAWC, Mr. Murray identified the fact that Confluence has had to incur higher debt financing costs because it apparently only has access to commercial bank debt financing as compared to MAWC’s indirect access to debt investors in the bond markets. If Confluence can prove that it can offset its higher financing costs with assigned lower overhead costs than MAWC, Mr. Murray welcomes such evidence.

7. Explain, in as much detail as possible, Mr. Murray’s understanding of the methodology CSWR, LLC, employs to allocate general and administrative costs to its utility affiliates, including Confluence Rivers. Provide copies of all documents Mr. Murray relied on for his response.

Answer: According to Brent Thies’ Direct Testimony in Case No. WR-2023-0006, CSWR LLC allocates its general and administrative expenses to its utility affiliates based on utility plant in service, customer connections and operating expenses.

8. Explain, in as much detail as possible, Mr. Murray’s understanding of the methodology American Water employs to allocate general and administrative costs to its utility affiliates, including MAWC. Provide copies of all documents Mr. Murray relied on for his response.

Answer: According to MAWC’s cost allocation manual, American Water’s general and administrative expenses are allocated to its utility affiliates based on the average proportion of each affiliate’s new plant, revenue and employee headcount as it compares to all affiliates’ new plant, revenue and employee headcount.

9. At page 8 of his rebuttal testimony, Mr. Murray states “MAWC projected **____** million in investment for three of the nineteen systems over the next five years. MAWC did not identify any significant investment required for the other sixteen systems.”

- a. After review of the MAWC responses to OPC DRs 31 and 42, does Mr. Murray believe additional investment will be required over the next five years for any of the “other sixteen systems” referenced in that testimony? Explain your answer.

Answer: Based on MAWC’s clarifying answer to OPC DR No. 42, it appears that MAWC’s “Jefferson City WW Capital Budget” includes capital budget line-items for all 48 systems MAWC identified in response to OPC DR No. 41. Therefore, while it does appear there may be additional capital expenditures for the 19 systems that are the subject of this Joint Application, the information MAWC provided is not disaggregated to allow for a determination of the additional capital expenditures for the specific systems involved in this proposed transaction.

- b. If Mr. Murray believes additional investment will be required for any of the “other sixteen systems” over the next five years, specify, how much investment will be required.

Answer: Mr. Murray did not independently determine the amount of investment needed for the other sixteen systems. In completing his analysis, Mr. Murray compared the information and cost estimates MAWC and Confluence provided in response to data requests. If MAWC provides disaggregated capital budget information for the 19 systems, he would consider such information in his analysis.

- c. Did Mr. Murray include any of the investment amounts identified in his response to part (b) above in his future cost and rate comparison of these systems if they continue to be owned by MAWC?

Answer: No. See Mr. Murray’s response to 9.b.

- d. If Mr. Murray did include any of the investment amounts identified in his response to part (b) above in his future cost and rate comparison of these systems if they continue to be owned by MAWC, would that change his analysis? If so, what would his analysis show if the additional MAWC projected investment amounts for three years and five years were included?

Answer: Mr. Murray cannot perform such an analysis until MAWC provides disaggregated data for the 19 systems that are the subject of this application.

10. Based on Mr. Murray’s experience, does the Commission set rates in a general rate case based on a utility’s requested capital structure and return on equity or based on the capital structure and return on equity the Commission determines are reasonable and supported by evidence in the case?

Answer: If the Commission must make a determination on a fair and reasonable authorized rate of return, which necessarily requires a determination of a ratemaking capital structure and a return on equity, it makes its own independent findings based on the evidence presented in the case.

Submitted May 16, 2025, by David Murray