

**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**

**INITIAL BRIEF**

**COMES NOW**, the Staff of the Missouri Public Service Commission (“Staff”), and  
for its *Initial Brief* respectfully states as follows:

**Introduction**

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: (1) Authorize Confluence to acquire 19 small wastewater systems from MAWC, (2) 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 (3) Waive the 60-day notice requirement for good cause shown.

After completing its investigation, Staff found: (1) the Tartan Criteria (commonly applied in CCN cases) had been fulfilled, (2) the transfer of the utilities was not detrimental

to the public interest, and (3) that Confluence possessed the requisite the technical, managerial, and financial (“TMF”) capabilities in order to acquire, maintain and operate these 19 systems. Based upon these findings, Staff recommended that the Commission approve the proposed transfer of the 19 systems from MAWC to Confluence, as well as cancel MAWC’s CCNs for these 19 systems and grant Confluence new CCNs for these 19 systems (as is common practice in cases of this type). This recommendation was subject to 12 conditions.<sup>1</sup>

The Office of the Public Counsel (“OPC”) filed a response to Staff’s recommendation wherein the OPC expressed concern that the proposed sale would be detrimental to the public interest, and proposed adding four conditions to Staff’s 12 conditions.<sup>2</sup> In a joint reply to OPC’s response, Staff and Applicants agreed to adopt one of the OPC’s proposed conditions, but rejected the remaining three.<sup>3</sup> In response, the OPC reiterated its request that the Commission “either impose [the OPC’s] proposed conditions in addition to those recommended by Staff or hold a hearing...”.<sup>4</sup> In its *Statement of Positions*, the OPC alleges five detriments it believes will result if the proposed sale is approved by the Commission.<sup>5</sup> Staff disagrees with the OPC’s position regarding the five alleged detriments and will address each “detriment” below.

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<sup>1</sup> Exhibit No. 200C, *Schedule JJR-r2*, pgs. 14-17.

<sup>2</sup> Item No. 12, *Response to Staff Recommendation*, pgs. 6-7.

<sup>3</sup> Item No. 17, *Joint Reply to OPC Response to Staff Recommendation*, page 7.

<sup>4</sup> Item No. 19, *Sur-Reply to Joint Reply to OPC Response to Staff Recommendation*, pg. 7.

<sup>5</sup> Item No. 44, *Statement of Positions*, pg. 2.

## **Argument**

### **A. WHAT LEGAL STANDARD MUST THE COMMISSION APPLY IN DECIDING THIS CASE?**

The applicable legal standard in this case states “[t]he 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.”<sup>6</sup> This standard is a reiteration<sup>7</sup> of the standard first handed down by the Missouri Supreme Court in 1934, which requires nothing more than that the proposed sale not be detrimental to the public interest – there is no requirement that the public be benefitted by the disposition.<sup>8</sup>

Missouri courts have provided guidance regarding “what the Commission is required to consider” in making the determination of whether or not a disposition would be detrimental to the public interest.<sup>9</sup> At times, the Commission must look at the proposed transaction and consider “how the transfer of assets might eliminate benefits that would otherwise be available.”<sup>10</sup> A benefit that may be lost due to a proposed sale is just one factor that the Commission considers when it balances “all appropriate factors” to determine whether this sale “results in a net detriment to the public interest.”<sup>11</sup> It is crucial to note: there is “no exhaustive list that has been announced of the considerations that

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<sup>6</sup> State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 (Mo. Ct. App. 1980).

<sup>7</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm'n, 637 S.W.3d 78, 94 (Mo. Ct. App. 2021).

<sup>8</sup> State ex rel. City of St. Louis v. Pub. Serv. Comm'n of Missouri, 335 Mo. 448, 460, 73 S.W.2d 393, 400 (1934); Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm'n, 637 S.W.3d 78, 94 (Mo. Ct. App. 2021).

<sup>9</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm'n, 637 S.W.3d 78, 92 (Mo. Ct. App. 2021).

<sup>10</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm'n, 637 S.W.3d 78, 94 (Mo. Ct. App. 2021).

<sup>11</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm'n, 637 S.W.3d 78, 94 (Mo. Ct. App. 2021).

may influence whether a sale is detrimental to the public”.<sup>12</sup> What is required under this legal analysis is “that the Commission...consider all relevant factors”.<sup>13,14</sup>

Essentially – in order for the Commission to determine whether or not a proposed sale is detrimental to the public – the Commission needs to look at all the relevant factors involved (the detriments and the benefits),<sup>15</sup> weigh the factors, and determine whether or not there is a resulting detriment after weighing those factors.

## **B. WOULD THE SALE OF THE SUBJECT MAWC WASTEWATER SYSTEMS TO CONFLUENCE BE DETRIMENTAL TO THE PUBLIC INTEREST?**

No. Staff initially found that this proposed sale fulfilled the legal standard, and Staff stands by its finding. The five “detriments” identified by the OPC are either speculative, inflated, or incorrect. Each supposed detriment laid out by the OPC is discussed below.

### **1. The Proposed Sale is Not Detrimental Based Upon Confluence’s Size, its Lack of a Research Lab, or its Business Model**

In his rebuttal testimony, OPC witness Dr. Marke characterizes the fact that these 19 systems will go from “the largest publicly-traded investor-owned water utility in the United states (and in Missouri)” to “a much smaller utility” as a detriment.<sup>16</sup> Staff disagrees with this characterization, and even sees the fact that Confluence is smaller than MAWC as a potential benefit. The fact that Confluence is smaller than MAWC potentially gives Confluence the ability to expend more oversight into these systems and

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<sup>12</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm’n, 637 S.W.3d 78, 93 (Mo. Ct. App. 2021).

<sup>13</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm’n, 637 S.W.3d 78, 93 (Mo. Ct. App. 2021); State ex rel. AG Processing, Inc. v. Pub. Serv. Comm’n of State, 120 S.W.3d 732, 736 (Mo. 2003).

<sup>14</sup> “In the context of the Commission’s approval of a transfer of regulated utility assets, the Commission’s decision will be found to be unreasonable if it ‘erroneously ignores evidence that may have substantially impacted the weight of the evidence evaluated to approve’ the transaction.” Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm’n, 637 S.W.3d 78, 93 (Mo. Ct. App. 2021).

<sup>15</sup> Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm’n, 637 S.W.3d 78, 93 (Mo. Ct. App. 2021).

<sup>16</sup> Exhibit No. 303C, *Surrebuttal Testimony of Geoff Marke*, pg. 4, lines 3-9.

may give Confluence the ability to prioritize necessary repairs and upgrades than may have been feasible for MAWC.

*Confluence's "Lack" of a Research Lab*

The OPC highlights the fact that American Water, parent company to MAWC, has a research laboratory in Belleville, Illinois.<sup>17</sup> In highlighting this fact, the OPC seems to convey that it (and by extension, its customers) benefit from the research done at this lab and/or the compliance testing completed at this lab. If what is meant to be conveyed by this fact is that MAWC is the beneficiary of the knowledge garnered at this research lab, then it must be recognized that Central States Water Resources ("CSWR")<sup>18</sup> also participates in research programs. Thus, CSWR is also a beneficiary of the research in which it participates. In fact, Mr. Silas testified that "Confluence has been part of multiple different kinds of pilots for wastewater treatment systems that have resulted in savings of millions of dollars for...lagoon rehabs."<sup>19</sup>

If, by highlighting the research lab, the OPC means to convey that MAWC has easy access to wastewater testing, the following must be recognized: (1) Missouri Department of Natural Resources ("DNR") certifies all laboratory services utilized by Confluence, (2) Justin Lundgren ("the Regional Manager for wastewater and water services provided by Confluence Rivers in Missouri")<sup>20</sup> oversees lab testing compliance, and (3) CSWR is "ultimately responsible" whether or not it owns a laboratory.<sup>21</sup>

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<sup>17</sup> Exhibit 302C, *Rebuttal Testimony of Geoff Marke*, pg. 2; Exhibit No. 303C, *Surrebuttal Testimony of Geoff Marke*, pg. 4, lines 3-9 and footnote 3.

<sup>18</sup> "CSWR is a Missouri limited liability company formed to provide managerial, technical, and financial support to its utility operating affiliates." Exhibit No. 1, *Direct Testimony of Aaron J. Silas*, pg. 5, lines 11-12.

<sup>19</sup> Item No. 48, *Transcript Volume 2*, pg. 55, lines 18-22.

<sup>20</sup> Exhibit No. 3C, *Surrebuttal of Aaron J. Silas*, pg. 8, lines 9-10.

<sup>21</sup> Item No. 48, *Transcript Volume 2*, pgs. 56, lines 22-25 and 60, lines 10-25.

### Confluence's Business Model

As a preliminary matter, both MAWC and Confluence – as utilities regulated by this Commission – are subject to the same regulatory standards of safe and adequate service, whether or not these companies rely on contracted services.<sup>22</sup>

The OPC alleges that customers are more critical of CSWR's business model, as it pertains to CSWR's reliance on third party contractors.<sup>23</sup> This assertion is refuted by Staff witness, Adam Stamp, who possesses "over ten (10) years of experience in industrial regulation" and is "responsible for routine inspections at all sites and facilities regulated by the WSGS [Water, Sewer, Gas, and Steam] department at the Commission."<sup>24</sup> Mr. Stamp testified in this case that customers are generally unaware of whether service to their utilities are provided by direct employees or third party contractors.<sup>25</sup> Mr. Stamp also states that customers of the utilities "do not have significant visibility into" the MAWC and Confluence business models, and thus he is unaware of public comments "analyzing the Confluence business model versus the MAWC business model."<sup>26</sup>

Staff does not dispute that Confluence has more public comments from its customers than MAWC has from its customers.<sup>27</sup> However, Staff is mindful of the contextual realities that seemingly drive this disparity and recognizes that the typical MAWC customer and the typical Confluence customer are dissimilarly situated. On the one hand, typical MAWC customers are the beneficiaries of a "drinking water

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<sup>22</sup> MO. REV. STAT. § 393.130.1 (2002).

<sup>23</sup> Exhibit No. 302C, *Rebuttal Testimony of Geoff Marke*, pg. 4, lines 20-21 and pg. 5, lines 1-5.

<sup>24</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 2, lines 9-11 and *Schedule AS-s1*.

<sup>25</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 2, lines 15-17.

<sup>26</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 2, lines 13-15.

<sup>27</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 2, line 12.

infrastructure that has been provided and maintained by MAWC for quite some time, and wastewater services that are provided and maintained by some other entity.”<sup>28</sup> On the other hand, Confluence customers are typically individuals whose systems are recent Confluence acquisitions that have been subject to “years of neglect, lack of proper investments, aging materials, and regulatory compliance issues.”<sup>29</sup> Some of the Confluence-related comments that Staff receive are a result of interruptions in service caused by Confluence repairing and upgrading these neglected systems.<sup>30</sup>

Moreover, in a review of EFIS<sup>31</sup> records from January 2023 to May of 2025, MAWC had been the subject of 409 informal complaints and 14 formal complaints, whereas Confluence was the subject of 66 informal complaints and **zero** formal complaints.<sup>32</sup>

In fact, OPC witness Dr. Marke conceded that most of the comments received during Confluence’s last rate case “primarily had to do with the proposed rate increase.”<sup>33</sup> Dr. Marke further conceded that “given the nature of that rate...case, that a large number of the customers would not have been through a rate increase case for many years, or maybe ever.”<sup>34</sup>

## 2. The OPC’s Allegations Regarding Higher Rates, Losses of Economies of Scale and Higher Capital Costs Necessitate Proper Contextualization

OPC contends that due to Confluence’s small size and the higher costs of servicing distressed systems, the customers of these 19 systems will be subject to higher rates as

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<sup>28</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 2, lines 21-23 and page 3, lines 1-2.

<sup>29</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 3, lines 2-4.

<sup>30</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 3, lines 5-8.

<sup>31</sup> Electronic Filing and Information System (EFIS).

<sup>32</sup> Exhibit No. 203, *Surrebuttal Testimony of Adam Stamp*, pg. 3, line 23 and pg. 4, lines 1-6.

<sup>33</sup> Item No. 48, *Transcript Volume 2*, pg. 117, lines 3-9.

<sup>34</sup> Item No. 48, *Transcript Volume 2*, pg. 117, lines 10-14.

Confluence customers. However, this alleged detriment to public interest is not supported by any evidence and is purely speculative.

While the benefit will be temporary, customers of these 19 systems will actually see a rate *decrease* if this acquisition is approved. MAWC's increase rates, resulting from WR-2024-0320, went into effect on May 28, 2025. The customers of these 19 systems are currently paying a monthly rate of \$74.11.<sup>35</sup> Confluence has stated that intends to adopt the monthly rate that these customers were paying at the time the *Joint Application* was filed: \$65.36. Customers of Confluence currently pay a monthly rate of \$60.21 or \$70.83 depending on their district.<sup>36</sup> It is Staff's view that, despite OPC's concerns, these are comparable rates for comparable services.

OPC witness, David Murray uses a figure from the financial statements included in the *Joint Application* to support his argument, because "this is the only estimated rate currently before the Commission."<sup>37</sup> At the evidentiary hearing, Mr. Murray, who has been employed by either the PSC or OPC for over two decades, cannot recall any large rate cases that resulted in Commission-approved rates that were equal to or higher than the rate originally requested by a company in its direct filing.<sup>38</sup> There is no definitive way to know what Confluence's rates will be in the future, just as there is no way to know what MAWC's rates will be in the future. At the evidentiary hearing, counsel for Staff asked Mr. Murray if both companies' rates would likely be higher in the future. He responded that he did not know and that "[t]here's always a first time."<sup>39</sup> These admissions from

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<sup>35</sup> Exhibit No. 3, *Surrebuttal Testimony of Aaron J. Silas*, pg. 12.

<sup>36</sup> Exhibit No. 1, *Direct Testimony of Aaron J. Silas*, pg. 7, lines 9-10.

<sup>37</sup> Exhibit No. 302C, *Rebuttal Testimony of David Murray*, pg. 4, lines 17-18.

<sup>38</sup> Item No. 48, *Transcript Volume 2*, pg. 91, lines 11-17.

<sup>39</sup> Item No. 48, *Transcript Volume 2*, pgs. 91-92.

Mr. Murray are more than enough to discredit the certainty with which OPC claims that Confluence customers will be subject to higher rates than MAWC customers in the future.

In the evidentiary hearing, Mr. Murray stated that Confluence has a higher cost of debt than MAWC.<sup>40</sup> It is important to note that, “the risk of an increased cost of debt is just one factor for the Commission to weigh when deciding whether or not to approve [a] merger.”<sup>41</sup> Moreover, the potential for higher rates is also just another one of the factors that is considered in these types of cases.<sup>42</sup> Confluence does not have an ongoing rate case and we do not know that Confluence’s rates will be higher than MAWC’s rates in the future. What we do know is that Confluence is standing by its original proposal of charging the customers at issue \$65.36/month<sup>43</sup> until new rates are approved by the Commission. This is most certainly a benefit to be weighed in considering this proposed sale. Lastly, both companies charge rates that are presumed to be reasonable because they were approved by the Commission.

3. If This Acquisition is Approved, MAWC Will no Longer be Collecting Revenues from These Systems’ Ratepayers

The OPC states MAWC’s remaining customers will continue to pay costs as if these systems were still in operation. Staff’s response to this is: in light of the fact that MAWC’s last rate case (WR-2024-0320) was settled and because of the way Missouri American allocates costs, it is impossible to know what costs are being borne by

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<sup>40</sup> Item No. 48, *Transcript Volume 2*, pg. 94, lines 15-21.

<sup>41</sup> *State ex rel. AG Processing, Inc. v. Pub. Serv. Comm’n of State*, 120 S.W.3d 732, 737 (Mo. 2003).

<sup>42</sup> “In a case, as here, where the benefit alleged to be lost would be the provision of adequate service at lower rates for customers, it is proper for the Commission to consider the evidence that tends to establish that benefits that were available and likely to be realized were lost.” *Osage Util. Operating Co., Inc. v. Missouri Pub. Serv. Comm’n*, 637 S.W.3d 78, 94 (Mo. Ct. App. 2021).

<sup>43</sup> Item No. 48, *Transcript Volume 2*, pg. 14, lines 7-10.

other customers. If this acquisition is approved, MAWC will no longer be collecting revenues from these systems' ratepayers.

4. There is no Expectation that an Acquisition Premium will be Collected in Rates in Confluence's Next Rate Case

The fourth supposed detriment alleged by the OPC is the existence of a **\*\* [REDACTED] \*\*** acquisition premium.<sup>44</sup> In the past, the Missouri Supreme Court reversed the Commission's approval of a merger on the Court's finding that the Commission failed to make a decision regarding an acquisition premium. Specifically, the Court stated:

The fact that the acquisition premium recoupment issue could be addressed in a subsequent ratemaking case *did not relieve the PSC of the duty of deciding it as a relevant and critical issue when ruling on the proposed merger* (emphasis added).<sup>45</sup>

Staff's position in this case, and in prior cases, is that no acquisition premium should be reflected in rates. In fact, Staff specifically stated the following in its *Memorandum* in this case:

If the Commission approves Confluence's request in this case, Staff would expect that an updated rate base level will be established when Confluence files its next rate case for these systems. It has been Staff's position in prior cases that rates should be based upon the remaining net book value of the original cost of the utility plant at the time it was placed in service, and that no acquisition adjustment, above or below net book value, should be reflected in rates.<sup>46</sup>

OPC witness, Dr. Marke, showed support for Staff's position on this issue in his rebuttal testimony.<sup>47</sup> In the evidentiary hearing, Confluence and CSWR asserted multiple times that it does not expect to recover an acquisition premium in rates.<sup>48</sup> Confluence has

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<sup>44</sup> Exhibit No. 303C, *Surrebuttal Testimony of Geoff Marke*, pg. 5, lines 3-4.

<sup>45</sup> *State ex rel. AG Processing, Inc. v. Pub. Serv. Comm'n of State*, 120 S.W.3d 732, 736 and 737 (Mo. 2003).

<sup>46</sup> Exhibit No. 200C, *Rebuttal Testimony of Jarrod J. Robertson, Schedule JJR-r2*, pg. 9.

<sup>47</sup> Exhibit No. 302C, *Rebuttal Testimony of Geoff Marke*, pg. 11, lines 3-5.

<sup>48</sup> Item No. 48, *Transcript Volume 2*, pg. 17, lines 5-8; pg. 37, lines 20-24; pg. 40, lines 6-13; pg. 62, lines 1-5.

provided the Commission with an assurance that if Confluence was unable to receive an acquisition premium, Confluence would “still be economically viable and have the ability to provide safe and adequate service.”<sup>49</sup>

5. The Locations of the 19 Wastewater Systems do not Present a Detriment

There is nothing inherently detrimental presented by the OPC’s argument that “18 of the 19 wastewater systems are closer to existing MAWC systems than Confluence systems.”<sup>50</sup> Of the 19 wastewater systems at issue in this case, 18 of them are located in Callaway County and are thus relatively close to one another – making travel between these systems relatively simple.<sup>51</sup>

**C. ARE THERE POTENTIAL BENEFITS TO BE REALIZED IF CONFLUENCE WERE TO ACQUIRE THESE 19 WASTEWATER SYSTEMS?**

Yes. In addition to the benefits mentioned above, Staff believes that the selection of non-exhaustive benefits discussed below tip the scales in favor of this proposed sale.

Based upon its investigation, Staff found that the 19 systems at issue are well maintained, but aging.<sup>52</sup> The OPC states that “CSWR has made a career out of focusing on ugly systems” and that Confluence “has absolutely stepped up” by taking over these “distressed systems” in the past.<sup>53</sup> In his direct testimony, CSWR witness Aaron Silas discussed the experience that CSWR-affiliated companies have with regard to wastewater system improvements:

Since March 2015, with the approval of state wastewater regulatory authorities, CSWR-affiliated companies have designed, permitted, and completed construction of numerous sanitary sewer system improvements. These improvements include wastewater line repairs to eliminate infiltration and inflow, building numerous sewer main extensions, building and/or

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<sup>49</sup> Exhibit No. 3C, *Surrebuttal Testimony of Aaron J. Silas*, pg. 25, lines 10-14.

<sup>50</sup> Exhibit No. 303C, *Surrebuttal Testimony of Geoff Marke*, pg. 5, lines 5-6.

<sup>51</sup> Exhibit No. 200C, *Rebuttal Testimony of Jarrod J. Robertson, Schedule JJR-r2*, pg. 3.

<sup>52</sup> Exhibit No. 200C, *Rebuttal Testimony of Jarrod J. Robertson, Schedule JJR-r2*, pg. 3.

<sup>53</sup> Item No. 48, *Transcript Volume 2*, pgs. 120, lines 8-9 and 128, lines 3-7.

repairing hundreds of lift stations, the closure of a number of existing regulatory impaired wastewater systems, building new or refurbishing over 150 activated sludge plants, constructing dozens of moving bed bio-reactor plants, converting multiple failing wastewater systems into sludge storage/flow equalization and treatment basins, converting failed mechanical systems to I-Fast systems, and constructing various other wastewater treatment supporting improvements.<sup>54</sup>

Based upon the foregoing, Confluence and CSWR most assuredly have the technical expertise necessary to make needed repairs to these 19 aging systems when the time comes.

Confluence has systems that are more remote than the 19 systems at issue here. This is highlighted in Mr. Silas' surrebuttal testimony, in which he states that Confluence has wastewater systems in the "extreme northeast corner" and the "extreme southwest corner" of Missouri. Mr. Silas explains that "[n]one of these systems is as close to another Company-owned system as the Callaway County systems under consideration in this case...".<sup>55</sup> This is a boon to the customers of the systems at issue in this case. If Confluence is already able to traverse the distance necessary in order to operate systems so far from one another, then Confluence is certainly well-equipped to traverse the shorter distance to the Callaway County systems at issue here.

Dr. Marke discusses his concern regarding Confluence's consolidated rates in his rebuttal testimony.<sup>56</sup> The Commission approved consolidated rates in Confluence's most recent rate case (WR-2023-0006). Staff witness, Jarrod Robertson states in his surrebuttal testimony that "[t]he Commission has determined that consolidated tariff rates convey benefits, such as spreading out costs related to investment and limiting the

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<sup>54</sup> Exhibit No. 1, *Direct Testimony of Aaron J. Silas*, pg. 6, lines 5-15.

<sup>55</sup> Exhibit No. 3C, *Surrebuttal Testimony of Aaron J. Silas*, pg. 6, lines 9-17.

<sup>56</sup> Exhibit No. 302C, *Rebuttal Testimony of Geoff Marke*, pg. 4, lines 8-13.

potential of rate shock...” (emphasis added).<sup>57</sup> If the Commission approves this sale, the customers of the 19 systems at issue will benefit from Confluence’s consolidated rates when these 19 systems need investment. Additionally, it is better that MAWC sells these systems to Confluence (who does have consolidated rates) than to a company who does not have consolidated rates. If that were to be the case, then it is reasonable to assume the customers of these 19 systems may be prone to negative factors such as rate shock or could be solely responsible for all costs associated with investments in these systems – with no ability to spread these costs over a larger customer base.

### **Conclusion**

In summary, Staff finds that the proposed sale is not detrimental to the public interest. As such, Staff recommends that the Commission (1) approve the sale of the 19 wastewater systems at issue (subject to the 12 conditions initially proposed by Staff and the condition proposed by the OPC and agreed upon by all parties), (2) cancel the applicable MAWC CCN’s, (3) grant Confluence CCN’s for these systems, and (4) grant Applicants’ motion for waiver of the 60-day pre-filing notice requirement.

**WHEREFORE**, Staff respectfully submits this Initial Brief for the Commission’s information and consideration.

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<sup>57</sup> Exhibit No. 202, *Surrebuttal Testimony of Jarrod J. Robertson*, pg. 6, lines 10-14.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 18<sup>th</sup> day of July, 2025.

/s/ Andrea B. Hansen