

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. WA-2026-0054
Confluence Rivers Operating Company, Inc

FROM: Sherrye Lesmes – Auditing Department
Charles Tyrone Thomason – Customer Experience Department
Kelli Malki – Financial Analysis Department
Jarrod J. Robertson – Water and Sewer Department
Adam Stamp – Water and Sewer Department

/s/ Jarrod Robertson 10-20-2025
Case Manager / Date

SUBJECT: Staff's Recommendation to Approve Request for Certificate of Convenience and Necessity

DATE: October 20, 2025

EXECUTIVE SUMMARY & CASE BACKGROUND

On August 21, 2024, the Missouri Public Service Commission (“Commission”) issued its *Report and Order* in a complaint case filed by the Staff of the Commission (“Staff”) (Case No. WC-2023-0353). The Commission determined Leon Travis Blevins a/k/a Travis Blevins and Patricia Blevins, d/b/a Misty Mountain Public Water System a/k/a Misty Water Works, Charity Public Water System, and Rolling Hills Public Water System (“Blevins”), was operating a water corporation and public utility providing water for gain without certification where such certification is required by Missouri Statute. The order also determined that due to Blevins being unable to provide safe and adequate water service it was necessary for the Commission to direct its General Counsel to petition the Circuit Court to appoint a receiver to take control of Blevins’ water systems.

Because Mr. Blevins had stated that he intended to begin disconnecting customers for nonpayment, the General Counsel of the Commission (“General Counsel”) filed a *Verified Petition of Injunction*

in the Circuit Court of Pulaski County, Missouri, on October 16, 2024, Case No. 24PU-CV1695). The Circuit Court subsequently issued an *Order Granting Injunction* on December 2, 2024.

The General Counsel also filed a *Petition to Attach the Assets of a Non-Compliant Water System and to Appoint a Receiver* (“Petition”) in the Circuit Court of Pulaski County, Missouri, on October 17, 2024 (Case No. 24PU-CV01704). Belvins’ response to the *Petition* indicated that he had agreed to sell certain assets to Central States Water Resources, Inc. (“CSWR”). This receivership case remains pending.

On August 29, 2025, Confluence Rivers Utility Operating Company, Inc. (“Confluence”), a subsidiary of CSWR, filed an *Application and Motion for Waiver* (“Application”) with the Commission for a Certificate of Convenience and Necessity (“CCN”) authorizing it to install, own, acquire, construct, operate, control, manage, and maintain certain water systems in Pulaski County, Missouri, specifically, two currently unregulated Blevins water systems, namely, the Rolling Hills and Charity water systems (collectively, “Systems”). In its CCN Application, Confluence states that it intends to acquire substantially all the water utility assets associated with the previously mentioned water Systems, presently owned and operated by Blevins.

On September 2, 2025, the Commission issued its *Order Directing Notice, Setting Deadline for Intervention, and Directing Staff Recommendation* (“Order”) in the CCN case. The Commission established an initial date of October 20, 2025, by which Staff would file a status report or a recommendation regarding the Application.

No parties sought to intervene in the case. No public comments have been submitted.

Staff recommends approval of the Application.

BACKGROUND OF CONFLUENCE

Confluence is a “water corporation,” a “sewer corporation,” and a “public utility,” as those terms are defined in Section 386.020, RSMo, subject to the jurisdiction and supervision of the Commission as provided by law, with its principal office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131. Confluence is a subsidiary of CSWR

and currently provides water service to approximately 6,400 customers and sewer service to approximately 6,500 customers in several service areas throughout Missouri. In recent years, Confluence has acquired several existing small water and sewer systems.

BACKGROUND OF BLEVINS

Travis Blevins has owned and/or operated multiple water systems in Pulaski County, Missouri. This CCN Application concerns the Rolling Hills and Charity water systems. These facilities are currently regulated by the Missouri Department of Natural Resources (“DNR”) under Permit Nos. MO3036362 (Rolling Hills) and MO3036361 (Charity). According to the Engineering Report submitted with the Application, each System has had frequent monitoring/reporting violations, but has registered no maximum contaminant violations. Although the Systems meet the DNR threshold to be considered a public water supply system, and have for some time, the DNR has stated in multiple communications to Staff that Mr. Blevins has historically strived to avoid regulation. Therefore, a reliable history of water quality records for these systems does not exist. DNR became involved with Mr. Blevins in 2023 after receiving a high volume of complaints and concerns from his customers regarding their water service.

It should also be noted that other water systems operated by Mr. Blevins and constructed in the same manner as the Rolling Hills and Charity systems do have a history of water quality issues and safety concerns. These concerns are believed to arise from poor construction practices during well installation. According to DNR, the wells that Mr. Blevins operates were constructed without a construction permit, are generally considered to be undersized, were built using substandard materials, and are poorly maintained.

BACKGROUND OF ROLLING HILLS

Located in Pulaski County, Missouri, approximately seven miles west of Waynesville, Missouri, drinking water for the Rolling Hills neighborhood is supplied via a single deep water well. The facility serves approximately 17 connections across a 276-acre service area consisting of a residential subdivision. The water system will likely require large upgrades to many of its components to be considered adequate. These upgrades are detailed below. The distribution

system may require significant replacement, and there are no easements for the current distribution system.

BACKGROUND OF CHARITY

Located in Pulaski County, Missouri, approximately seven miles northeast of St. Robert, Missouri, via three deep water wells, the facility serves approximately 18 connections across a 130-acre residential subdivision. Like Rolling Hills, the Charity water system will require a large amount of equipment investments as only one of its three supply wells is currently operational. The distribution system may require significant replacement, and there are no easements for the current distribution system. The system also lacks adequate storage.

STAFF'S INVESTIGATION

On December 16, 2024, CSWR entered into an *Agreement for Sale of Utility System* ("Agreement") with Blevins.

After the execution of this Agreement, representatives of Confluence stated they have been unable to contact Blevins and have received no responses to their inquiries and requests for information. Accordingly, as noted below, some of the information called for by Commission Rule 20 CSR 4240-50.060 is not available to Confluence and not provided in its Application. Therefore, Confluence requests a waiver from those provisions of Commission Rule 20 CSR 4240-50.060 for which it must rely on Blevins to supply the required information.

Rolling Hills

Summary of Proposed Improvements

The Rolling Hills water system will require multiple upgrades to be considered adequate. According to the Engineer Report submitted with the CCN Application, the existing hydropneumatic tank volume is inadequate according to Minimum Design Standards for Missouri Community Water Systems ("MDS"). Per section 7.4.2. (b), of the MDS, there should be 35 gallons of gross volume available per person served when the pressure range is 40-60 psi. The existing water treatment facility has approximately 172 gallons of gross volume available.

As approximately 48 people live in the subdivision, the system would require a minimum 1,680 gallons of gross volume to comply with the MDS. As the existing well house is not large enough to house a new hydropneumatic storage tank of that size, a new well house will need to be constructed. The distribution system will likely need considerable investment as well. A detailed outline of the proposed improvements, per the Engineering Report submitted with the CCN Application, are as follows:

Well Improvements and Other Repairs:

- Installation of a new pre-engineered building to be used as the new well house;
- Installation of a new hydropneumatic storage tank with a minimum gross volume of approximately 1,700 gallons;
- Installation of a new remote monitoring system equipped with a pressure transducer and a magnetic flow meter to allow for monitoring flow demand and run time of the well;
- Tests should be performed to determine yield capacity and water quality for the existing well. Sampling has continued to show no issues with bacteria over an extended period of time, so disinfection should not be necessary unless water quality testing data shows otherwise;
- A manual transfer switch should be installed to allow for the use of a generator quick connect during power outages.

Water Distribution System:

Investigation will need to be conducted to verify the locations and sizes of water mains and valves. There are no hydrants within the system.

Water Distribution System Improvements and Other Repairs:

- Replacement of valves as necessary, following investigation;
- A hydraulic model will need to be prepared based on the high-grade variance, as there will be a wide range of pressures across the system and knowing problem areas will be crucial to operation. The western portion of the subdivision is much lower in elevation compared to the eastern portion;

- As grade varies across the service area from 1,089 to 884 feet, we anticipate that pressure relief valves placed at strategic locations throughout the distribution network will be necessary. These locations would be determined during the hydraulic modeling process.

Charity

Summary of Proposed Improvements

The Charity water system contains three wells, but only one of them is currently in service. DNR drinking water regulations do not require that the two wells be brought back into service, but it should be considered as a backup option. According to the Engineering Report submitted with the CCN Application, the existing hydropneumatic tank volume is inadequate according to the MDS. Per section 7.4.2. (b) of the MDS, there should be 35 gallons of gross volume available per person served when the pressure range is 40-60 psi. The existing water treatment facilities combined have approximately 377 gallons of gross volume, however 119 gallons are currently in use (Well #2). As approximately 55 people live in the subdivision, the system would require a minimum 1,925 gallons of gross volume to comply with minimum design standards. As none of the existing well houses are large enough to house a new hydropneumatic storage tank of that size, a new well house will need to be constructed. A detailed outline of the proposed improvements, as per the Engineering Report submitted with the CCN Application are as follows:

Well #1 Improvements and Other Repairs:

- The well is not currently in service; however, consideration should be given to using it as a backup well if necessary. While drinking water regulations in Missouri do not require additional wells for systems serving a population lower than 500, using this well could be advantageous if any issues with pressure arise due to the high-grade variance between Well #2 and the eastern half of the subdivision which is closer to Well #1. The operator did not discuss any pressure issues at the time of the site visit;
- Construction of a new well house and various upgrades would be necessary if this well were to be used as a backup. The existing well house consists of a small concrete structure, and

the majority is buried below grade. A larger structure would be needed to house the hydropneumatic tank and other appurtenances;

- Tests should be performed to determine yield capacity and water quality for the existing well;

Well #2 Improvements and Other Repairs:

- Installation of a new pre-engineered building to be used as the new well house;
- Installation of a new hydropneumatic storage tank with a minimum gross volume of approximately 2,000 gallons. A hydropneumatic tank of this size would have an outer diameter of approximately 5'-0" and an overall length of 15'-0";
- Installation of a new remote monitoring system equipped with a pressure transducer and a magnetic flow meter to allow for monitoring flow demand and run time of the well;
- Tests should be performed to determine yield capacity and water quality for the existing well. Sampling has continued to show no issues with bacteria over an extended period of time, so disinfection should not be necessary unless water quality testing data indicates otherwise;
- A manual transfer switch should be installed to allow for the use of a generator quick connect during power outages;

Well #3 Improvements and Other Repairs:

- The well is not currently in service; however, consideration should be given to using it as a backup well if necessary. While drinking water regulations in Missouri do not require additional wells for systems serving a population lower than 500, using this well could be advantageous if any issues arise with pressure or high demand;
- Construction of a new well-house and various upgrades would be necessary if this well were to be used as a backup. A larger structure would be needed to house the hydropneumatic tank and other appurtenances.
- Tests should be performed to determine yield capacity and water quality for Well #3.

Water Distribution System:

Investigation will need to be conducted to verify the locations of water mains and valves. Per the owner, the distribution system consists of mainly 1.5” and 2” polyvinyl chloride (“PVC”) pipe. There are no hydrants within the system.

Water Distribution System Improvements and Other Repairs:

- Replacement of valves as necessary, following investigation;
- A hydraulic model will need to be prepared based on the high-grade variance and the number of wells, as there will be a wide range of pressures across the system and knowing problem areas will be crucial to operation;
- As grade varies across the service area from 991 to 917 feet, we anticipate that pressure relief valves placed at strategic locations throughout the distribution network will be necessary. These locations would be determined during the hydraulic modeling process.

Public Awareness

Due to the injunction actions taken by the Circuit Court of Pulaski County, as well as the petition to appoint a receiver and filing of a complaint by the Commission, the System customers have been aware of the situation surrounding Blevins, and these Systems. As unregulated water utility systems, with no by-laws in place, the customers are not afforded a vote in this proposed sale. The System customers were provided with a Customer Notice by Confluence, 20 days following the filing of this CCN Application.

Rate Base

Plant-In-Service Balances

The Auditing Department reviewed information provided by Confluence in response to Staff’s data requests, Confluence’s Application which included sale agreement documents, Confluence’s work papers, and on-site visits made by Staff. Normally, the Auditing Department would review plant-in-service records maintained by the county for its water systems to determine the current

net book value of its assets. However, in this case, the Auditing Department was unable to do this due to lack of records kept by the county. Staff had to supplement estimates for plant when no records were available to determine the current net book value of the Systems' assets.

Staff determined the value of net plant investment, or "rate base," by reviewing the documentation provided by Confluence, and considering whether plant facilities or money was contributed by customers or land developers. Staff's analysis determined there was no indication that plant facilities or money has been contributed by customers or land developers. Thus, there is no Contributions In Aid of Construction ("CIAC") to consider in this case. In the absence of county records and original invoices; Staff's analysis agrees that the purchase price of ** [REDACTED] ** for the Systems, is approximately the net book value of the Systems' assets, as of August 30, 2025. Without documentation to determine when the Systems' assets were placed in service, they are presumed to be fully depreciated resulting in a net zero rate base value for those assets.

The following is a breakdown of the rate base components:

	Water
Plant in Service	** [REDACTED] **
Accumulated Depreciation	\$0
CIAC	0
Net Plant minus CIAC	** [REDACTED] **
CIAC Amortization	0
Net Rate Base	** [REDACTED] **

If Confluence provides additional information, Staff will re-calculate its rate base calculation to determine revenue requirement in Confluence's subsequent rate case filing.

Depreciation

In Confluence's last rate case, Case No. WR-2024-0006, the Commission ordered the continued use of the depreciation rates currently ordered for all divisions of Confluence. Staff recommends the use of these rates for all plant in the proposed Confluence service area.

Financial Analysis

Staff evaluated whether Confluence has the financial capability to acquire the unregulated water system assets of the Charity and Rolling Hills systems, and to upgrade, own, operate, maintain, and otherwise manage the Systems. The purchase price of the acquisition is ** [REDACTED] **, ¹ with a total estimated project cost of ** [REDACTED] ** after repairs and upgrades.² Confluence has stated that it possesses “the financial strength and resources necessary to make expenditures and investments required to maintain the systems.”³

Staff’s review of Confluence’s pro forma financial statements indicates that the anticipated cost of the project will be funded through equity infusions from its parent company, CSWR, as well as borrowings from CSWR. Borrowed funds are classified by Confluence as “Payable to Associated Companies” on its balance sheet.⁴ Although this item appears in the Long-Term Liabilities section, Confluence has confirmed that such borrowings currently have no repayment schedule, interest requirement, or other formal financing terms, and further considers “Payable to Associated Companies” as equity when calculating its debt-to-capital ratios.⁵

Confluence also indicated that, as the company works toward achieving a 50/50 capital structure, it assumes half of the total project cost will ultimately be financed with debt.⁶ In that scenario, any funding received from CSWR to support the project could be treated as short-term debt, subject to the same terms and interest rates that CSWR itself may incur in the future.⁷

Because the funding for this acquisition and related improvements will be provided by the parent company (i.e., CSWR), Staff reviewed the current financial and business risk profiles of both Confluence and CSWR, as well as the potential impact of this project on the credit quality of each company. This review was necessary to determine whether reliance on the parent company for

1 Appendix A-C, The Application.

2 Appendix G-C, The Application.

3 Paragraph 29, The Application.

4 Confluence’s response to Data Request No. 0007.3 in case WF-2023-0023.

5 Ibid.

6 Confluence’s response to Data Request No. 0005.

7 Ibid.

funding creates additional financial risk for Confluence, or whether the strength of CSWR's financial position mitigates the risks associated with Confluence's leveraged profile.

Although neither Confluence nor CSWR are publicly traded, a review of their financial ratios shows the following:⁸

Confluence Rivers

		<u>As of June 30, 2025</u>		<u>Pro Forma</u>	
		<u>Financial Risk</u>		<u>Financial Risk</u>	
Debt/EBITDA	**		**	**	**
(x)					
Debt/Capital	**		**	**	**
(%)					

CSWR

		<u>As of June 30, 2025</u>		<u>Pro Forma</u>	
		<u>Financial Risk</u>		<u>Financial Risk</u>	
Debt/EBITDA	**		**	**	**
(x)					
Debt/Capital	**		**	**	**
(%)					

A review of Confluence's and its parent company's financial ratios shows that both companies' Debt-to-Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") ratios increase on a pro forma basis. These ratios are classified as "Highly Leveraged," indicating a higher level of debt relative to earnings and limited debt coverage. In contrast, the financial statements show a modest decrease in Confluence's and CSWR's Debt-to-Capital ratios.

Because both Confluence and its parent report negative Funds From Operations ("FFO"), their FFO-to-Debt ratios are negative.⁹ Negative FFO-to-Debt ratios are atypical, as this metric is generally positive,¹⁰ and therefore these ratios do not provide a meaningful indication of the companies' financial positions.

⁸ Confluence's response to Data Requests No. 0001, No. 0002, and Malki's Workpaper.

⁹ Ibid.

¹⁰ FFO/Debt ratios typically range from less than 12 for "Highly Leveraged" risk companies to greater than 60 for

For the period 2023–2027, Confluence projected an average annual capital expenditure of ** [REDACTED] **, ¹¹ while its parent company, CSWR, projected an average annual capital expenditure of ** [REDACTED] **. ¹² The total purchase price of the merger represents less than 1% of Confluence’s projected average annual capital expenditures and less than 0.1% of CSWR’s. ¹³ Similarly, the total estimated project cost is less than 42% of Confluence’s projected average annual capital expenditures and less than 1% of CSWR’s.

Staff notes that these capital expenditure plans are based on older projections. Confluence indicated it could not provide updated forecasts for itself or its parent but did provide Confluence’s most recent Capital Improvement Plan (“CIP”). ¹⁴ Staff reviewed and broke down this list provided by year, which totals approximately ** [REDACTED] ** over the five-year period of 2025-2029, with annual expenditures averaging ** [REDACTED] **. ¹⁵ While meaningful for Confluence, these project costs are modest compared to the financial capacity of CSWR.

A review of the historical financial statements of both Confluence and CSWR indicates that each has generally maintained sufficient funds to support acquisition- and merger-related expenditures. However, both Confluence and CSWR have consistently reported negative net income from 2020 to the present, as well as in the pro forma projections. ¹⁶

In recent years, the water and sewer sector has experienced an expansion in both the geographic footprint of transactions and the diversity of acquirers of water and wastewater systems nationwide. ¹⁷ Given sector demographics, the majority of water utility acquisition activity is

“Minimal” risk companies.

11 Confluence’s response to Data Request No. 0005 as a part of Case No. WA-2023-0398.

12 Confluence’s response to Data Request No. 0183 as a part of Case No. WR-2023-0006.

13 The percentage of the purchase cost (** [REDACTED] **) from the average five-year capital expenditure provided by Confluence in case WR-2023-0006 (** [REDACTED] **)

14 Confluence’s response to Data Request No. 0004.

15 Confluence’s response to Data Request No. 0004 and Malki’s Workpaper.

16 Confluence’s response to Data Request No. 0001, No. 0002, & No. 0002.1 as a part of Case No. WA-2023-0398 and Confluence’s response to Data Request No. 0001.

17 S&P Capital IQ Pro, “Water acquisitions less frequent, larger in 2023”, published December 5, 2023:

<https://www.spglobal.com/market-intelligence/en/news-insights/research/water-acquisitions-less-frequent-larger-in-2023>

expected to continue stemming from the acquisitions of financially challenged, small private systems and municipal utility systems by the largest investor-owned utilities.¹⁸

A review of the merger and acquisition cases filed by Confluence during fiscal years 2023-2026 shows that, within those four years, Confluence filed 18 CCN and merger and acquisition (“M&A”) cases, seven of which involved joint sewer and water systems.¹⁹

The total purchase cost for all 18 of Confluence’s most recent CCN and M&A cases is approximately ** [REDACTED] **, ²⁰ which is about eightfold Confluence’s average annual projected capital expenditures for the period 2023–2027, but less than 10% of CSWR’s average annual projected capital expenditures. The total estimated project cost of Confluence’s 18 CCN and M&A cases filed between fiscal years 2023–2026, including this case, is approximately ** [REDACTED] **. ²¹ This amount is roughly eighteenfold Confluence’s average annual projected capital expenditures but represents only about 21% of CSWR’s.

When compared to Confluence’s future Capital Improvement Plan (“CIP”), the combined purchase costs of these eighteen cases represent approximately 25% of Confluence’s total planned CIP expenditures, while the total project costs represent approximately 56%. This indicates that although the scope of Confluence’s acquisition activity is large relative to its own historical capital expenditures, the activity remains manageable in the context of its forward-looking capital improvement planning and is modest when compared to the financial capacity of its parent company, CSWR.

18 S&P Capital IQ Pro, “Water utility transactions trickle in while long-term demand remains elevated”, published July, 14, 2023: https://www.spglobal.com/market-intelligence/en/news-insights/research/water-acquisitions-less-frequent-larger-in-2023?utm_source=chatgpt.com

19 These Cases include: WA-2023-0003, WA-2023-0026/SA-2023-0027, WA-2023-0092/SA-2023-0093, SA-2023-0187, SA-2023-0215, WA-2023-0284/SA-2023-0285, WA-2023-0398/SA-2023-0396, SA-2023-0437, and WA-2023-0450/SA-2023-0451, WA-2024-0048/SA-2024-0049, SA-2024-0129, SM-2024-0130, SA-2024-0307, WA-2025-0012/SA-2025-0013, WM-2025-0065, SM-2025-0067, SM-2025-0080, & WA-2026-0054.

20 Malki’s Workpaper; Review of applications and corresponding data requests of all FY 2023-2026 Confluence merger and acquisition cases. Purchase costs were taken from purchase agreements provided in the application and totaled.

21 Malki’s Workpaper; Review of applications and corresponding Data Requests of all FY 2023-2026 Confluence merger and acquisition cases. Estimated Total Project Costs were taken from the feasibility study included with the application or requested as a part of a Data Request.

These findings indicate that Confluence has pursued a relatively aggressive growth strategy through its recent acquisition activity. However, with the financial support of its parent company, CSWR, Confluence appears capable of accommodating and managing the risks associated with these practices.²² In addition, the trend of larger, financially stronger companies acquiring smaller, financially challenged water and sewer systems is consistent with industry patterns observed nationwide.²³

While Staff has concerns regarding Confluence's "Highly Leveraged" financial risk profile, the company's debt-to-capital ratio shows modest improvement in the pro-forma. Additionally, the projected total cost of this acquisition will be funded by CSWR through a combination of debt and equity and represents less than 1% of CSWR's projected average annual capital expenditure. Furthermore, CSWR's financial risk profile is mostly unchanged by this transaction.

Based on this information, Staff finds no evidence that CSWR is unable to provide the financial support necessary for Confluence to purchase, upgrade, own, operate, maintain, and otherwise control and manage the Charity PWS and Rolling Hills PWS systems. Therefore, it is Staff's opinion that Confluence, with the financial backing of its parent company, CSWR, is financially capable of undertaking the acquisition and improvements requested in the application.

Publicity and Customer Notice

On September 17, 2025, Confluence Rivers mailed notice to the residents served by the Systems, notifying them of the proposed acquisition.²⁴

Customer Service and Billing

Customers may contact Confluence's customer service department by calling the toll-free phone number 866-945-3920 or by sending an email to customer service. There is also a toll-free phone

22 Confluence's response to Data Request No. 0001 shows all costs associated with this case coming from their parent company, CSWR.

23 S&P Global Market Intelligence, "Water acquisitions less frequent, larger in 2023," December 5, 2023, <https://www.spglobal.com/market-intelligence/en/news-insights/research/water-acquisitions-less-frequent-larger-in-2023>

24 WA-2026-0054, *Notice of Mailing*.

number available for emergency calls. The emergency number, the website, and email are available 24/7. According to Confluence, this information is provided on the customer brochure, the website, and all written materials sent to customers. Confluence's main office is located at 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131 and is open Monday through Friday from 8:00am to 5:00pm. The main office's customer service personnel are also available to be contacted after hours for escalated emergency calls.

Confluence will offer payment options including check, money order, cashier's check, debit card, credit card, e-check, Apply Pay, Google Pay, PayPal Cash, and Check Free Pay.

In order to incorporate the Systems' customers into its billing and customer service systems, it will be necessary for Confluence to properly enter the appropriate customer information into its systems and apply the Commission-approved rates.

Rate and Tariff Matters

Confluence proposes submitting tariff sheets to be effective before closing on the assets, to include service area maps, service area legal descriptions, rates and charges to be included in P.S.C. MO No. 30, applicable to water service, until such time as the rates and rules are modified.

While there is a county public water supply district, the district has stated to Staff they do not have the ability to provide service to these Blevins customers and have no intention of extending service to these areas.

Confluence also proposes charging the existing customers the current System's flat rate of \$55.00 per month, and provide water service pursuant to the existing rates and rules governing the rendering of water service currently found in Confluence's water tariff P.S.C. MO No. 30.

Staff recommends that after approval, but before Confluence closes on the utility assets, Confluence submit all applicable new or revised water tariff sheets for Staff review, including the service area map and legal description. This type of review prior to filing can enable a smooth process for Commission approval of the tariff sheets.

Technical, Managerial, and Financial Capacity

In studying most situations involving transfers of assets and CCNs involving existing regulated water and/or sewer systems, Staff utilizes the concepts of technical, managerial, and financial capacity, or “TMF,” originally developed by the U.S. Environmental Protection Agency. Staff has reviewed and stated its position regarding TMF regarding Confluence in previous CCN and transfer of assets cases before the Commission. Staff again reviewed Confluence’s TMF capabilities in the context of this application, and takes the position that Confluence continues to demonstrate adequate TMF capability.

Technical Capacity

As noted above, Confluence is an existing regulated water and sewer utility currently providing water service to approximately 6,400 connections and sewer service to approximately 6,500 connections in several service areas throughout Missouri. Confluence has acquired several small existing water and sewer systems, and – as a subsidiary of CSWR – is affiliated with other companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources. As such, it is Staff’s position that Confluence has the requisite technical capacities to acquire and operate these two water systems, as well as complete the necessary maintenance proposed by Confluence for these facilities.

Managerial Capacity

Confluence intends to incorporate the two water systems to be acquired into its current billing and customer service system. Confluence’s current customer service representatives will be available to take and process customer inquiries pertaining to billing and/or service issues, make necessary bill adjustments, enter into payment plans within company guidelines, interact with Staff in working with customer complaints, and manage new customer accounts and the closing of customer accounts. In the operation of its current systems, Confluence has demonstrated the requisite managerial abilities to operate the proposed two water Systems.

Financial Capacity

Confluence has the financial capacity to acquire, operate, and complete the recommended maintenance of the two water systems through access to capital through its upstream affiliates. Its parent company, CSWR, owns several water and sewer utilities in several states. It is Staff's opinion, based upon its current operations and past acquisitions, that Confluence has demonstrated that it has the requisite financial capacity to acquire, operate, and complete the recommended maintenance of the two water Systems proposed to be acquired.

Staff's position on Confluence's ability to meet TMF criteria remains positive, in that Confluence has adequate TMF capacity in this case. Staff determined that Confluence has the ability to secure funding, to oversee construction of any necessary upgrades or repairs, and the ability to successfully manage operations of the Systems.

Tartan Criteria

When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company (Case No. GA-94-127) and referred to now as the "Tartan criteria." The Tartan criteria contemplate: 1) the need for service; 2) the applicant's qualifications; 3) the applicant's financial ability; 4) the economic feasibility of the proposal; and, 5) promotion of the public interest. Similar to the TMF capacities in previous CCN cases, Staff investigated these criteria, and that investigation relates to this proposed acquisition. The results of Staff's investigation are outlined below:

(1) Need for Service

There is both a current and future need for water service as the existing customer base in the Rolling Hills and the Charity systems have both a desire and need for service. In addition, there is a need for the necessary steps to be taken to update each of the Systems, and to ensure the provision of safe and adequate service.

(2) Applicant's Qualifications

Confluence is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. Confluence is currently providing water service to approximately 6,500 customers in several service areas throughout Missouri. Confluence is a subsidiary of CSWR and is affiliated with other CSWR companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources. Through its current operation of utility systems Confluence has demonstrated its qualifications to operate the Blevins systems.

(3) Applicant's Financial Ability

Confluence anticipates no need for external financing to complete this acquisition and has demonstrated over many years that it has adequate resources to operate utility systems it owns, to acquire new systems, to undertake construction of new systems and expansions of existing systems, to plan and undertake scheduled capital improvements, and to timely respond and resolve emergency issues when such situations arise.

(4) Feasibility of the Proposal

The fourth Tartan Criteria calls for an evaluation of the economic feasibility of the proposal. Additionally, it is Staff's opinion that the feasibility of the engineering and operational aspects of the proposal must be addressed as well. As such, both are addressed here.

Confluence has demonstrated over numerous years that it has adequate resources to operate utility systems it owns. The current rates, which Confluence is adopting, may not be sufficient to support the cost of service and will be evaluated as part of the next Confluence rate case after this acquisition. Confluence has demonstrated they have access to sufficient capital to invest the needed upgrades at these systems, and it is not expected that such investment will cause financial burden for Confluence. Staff does not have any evidence that CSWR cannot provide the necessary support for Confluence to purchase, upgrade, own, operate, maintain, and otherwise control and manage these systems.

Staff evaluated the proposals for upgrading the systems in order to provide safe and adequate service, and finds them to be reasonable. Issuance of a CCN for Confluence to operate the Systems

would enable improvements regarding the provision of safe and adequate service via upgrades to distribution, monitoring/testing, water quality, storage, back-up power, and being operated by a DNR licensed operator. Confluence will also conduct such testing and capacity calculations to determine if additional wells must be constructed. Confluence has demonstrated over numerous years that it has adequate resources to operate utility systems it owns. The current rates, which Confluence is adopting, were designed to support the cost of service. Staff does not have any evidence that CSWR cannot provide the necessary support for Confluence to purchase, upgrade, own, operate, maintain, and otherwise control and manage the Systems.

(5) Promotion of the Public Interest

Staff finds that due to the positive nature of the preceding criteria, coupled with the present and future need for utility service, this proposed acquisition promotes the public interest. Customers of Mr. Blevins have been dealing with inadequate service and potentially hazardous health situations for multiple years, while also paying rates that have been subject to seemingly random increases. These water systems were poorly constructed from the beginning and have now been used for an estimated 20 years. System failures and outages have been prevalent since Staff started investigating the situation in 2023, and Staff still receives calls from customers on a near weekly basis asking for assistance. It is abundantly clear that this acquisition will promote the public interest.

Staff's conclusion is that all Tartan Energy criteria are met for this case.

Staff's conclusion is that Confluence satisfies the TMF capacities and the Tartan Energy criteria. Staff further finds that approving utilities' the sale to Confluence is not detrimental to the public interest and that issuance of a CCN to Confluence is necessary or convenient for the public service. Staff recommends the Commission authorize Confluence to enter into, execute, and perform in accordance with the terms described in the Purchase Agreement, attached as Appendix A to Confluence's Application. Staff further recommends Confluence be granted a CCN to provide water service in the territories currently served by Blevins.

OTHER ISSUES

The Systems, as unregulated water operations, have no obligations due to the Commission, and have no pending actions before the Commission.

Confluence is a corporation that is in “good standing” with the Missouri Secretary of State.

Confluence is current with annual report filings with the Commission through calendar year 2024, as documented on the Commission’s Electronic Filing and Information System (“EFIS”).

Confluence is current on its annual assessment quarterly payments through the second quarter of fiscal year 2025.

Confluence has other pending cases before the Commission, but none that would impact this decision.

STAFF RECOMMENDATIONS AND CONCLUSIONS

Staff’s position, based on its review as described herein, is that the transfer of utility assets is not detrimental to the public interest. Staff therefore recommends the Commission authorize the transfer of the Rolling Hills and Charity system assets to Confluence. In light of all Tartan Criteria having been fulfilled, Staff also recommends that the Commission grant Confluence new CCNs for the acquired Systems at issue in this case. These recommendations are subject to the conditions and actions as outlined herein:

Staff recommends the Commission find that Confluence has complied with the requirements of §393.320, RSMo, and approve Confluence’s request for CCN, subject to the following conditions and actions:

1. Grant Confluence a CCN to provide water service in the proposed Rolling Hills and Charity system service areas, as modified as outlined herein;
2. Approve Confluence’s proposed water rates for the Systems;
3. Require Confluence to submit tariff sheets, to become effective before closing on the assets, to include a service area map, service area legal description, rates and charges to be included in its EFIS tariff P.S.C. MO No. 30, applicable to water service, respectively;

4. Require Confluence to notify the Commission of closing on the assets within five (5) days after such closing;
5. If closing on the water Systems' assets does not take place within thirty (30) days following the effective date of the Commission's order approving such, require Confluence to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Confluence determines that the transfer of the assets will not occur;
6. If Confluence determines that a transfer of the assets will not occur, require Confluence to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require Confluence to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to each System's service areas in its water tariff, and rate and charges sheets applicable to customers in each System's service areas in the water tariff;
7. Require Confluence to keep its financial books and records for plant-in-service and operating expenses in accordance with the NARUC Uniform System of Accounts;
8. Require Confluence to adopt the depreciation rates ordered in Case No. WR-2024-0006;
9. Require Confluence Rivers to provide training to its call center personnel regarding rates and rules applicable to the Systems' customers;
10. Require Confluence Rivers to distribute to the Systems' customers an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
11. Require Confluence Rivers to provide to the Customer Experience Department ("CXD") Staff an example of its actual communication with the Systems' customers regarding its acquisition and operations of the water, and how customers may reach Confluence Rivers, within ten (10) days after closing on the assets;

12. Require Confluence Rivers to include the Systems' customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets;
13. Require Confluence Rivers to provide the CXD Staff a sample of five (5) billing statements from the first three month's billing for the Systems within ten (10) days of the billings;
14. Require Confluence Rivers to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing within ten (10) days after such communications and notifications; and,
15. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

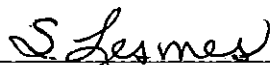
In the Matter of the Application of	)	
Confluence Rivers Utility Operating	)	Case No. WA-2026-0054
Company, Inc., for a Certificate of	)	
Convenience and Necessity to Provide	)	
Water Service in an Area of Pulaski County,	)	
Missouri (Leon Travis Blevins a/k/a Travis	)	
Blevins and Patricia Blevins, d/b/a Misty	)	
Mountain PWS a/k/a Misty Water Works,	)	
Charity PWS, and Rolling Hills PWS)	)	

AFFIDAVIT OF SHERRYE LESMES

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW SHERRYE LESMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

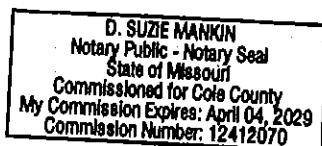
Further the Affiant sayeth not.

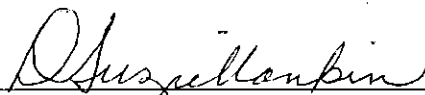


SHERRYE LESMES

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 16th day of October 2025.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of	)	
Confluence Rivers Utility Operating	)	
Company, Inc., for a Certificate of	)	Case No. WA-2026-0054
Convenience and Necessity to Provide	)	
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Missouri (Leon Travis Blevins a/k/a Travis	)	
Blevins and Patricia Blevins, d/b/a Misty	)	
Mountain PWS a/k/a Misty Water Works,	)	
Charity PWS, and Rolling Hills PWS)	)	

AFFIDAVIT OF KELLI MALKI

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KELLI MALKI and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

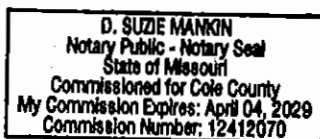
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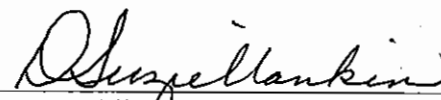


KELLI MALKI

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 16th day of October 2025.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

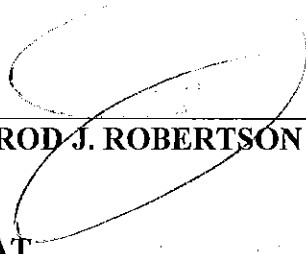
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Mountain PWS a/k/a Misty Water Works,)
Charity PWS, and Rolling Hills PWS))

AFFIDAVIT OF JARROD J. ROBERTSON

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

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 *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

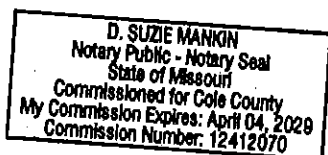
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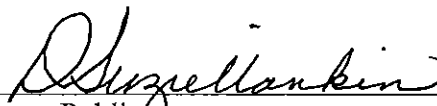


JARROD J. ROBERTSON

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 16th day of October 2025.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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Missouri (Leon Travis Blevins a/k/a Travis)
Blevins and Patricia Blevins, d/b/a Misty)
Mountain PWS a/k/a Misty Water Works,)
Charity PWS, and Rolling Hills PWS))

AFFIDAVIT OF ADAM STAMP

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

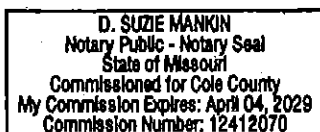
COMES NOW ADAM STAMP and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

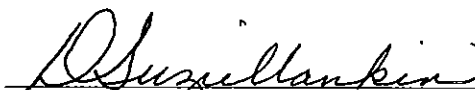
Further the Affiant sayeth not.


ADAM STAMP

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 16th day of October 2025.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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Mountain PWS a/k/a Misty Water Works,)
Charity PWS, and Rolling Hills PWS))

AFFIDAVIT OF CHARLES TYRONE THOMASON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

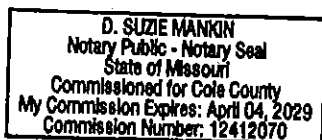
COMES NOW CHARLES TYRONE THOMASON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Charles Tyrone Thomason
CHARLES TYRONE THOMASON

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 16th day of October 2025.



D. Suzie Mankin
Notary Public