

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Proposed)	
Rule 20 CSR 4240-10.195 Appraisal)	
Requirements for Acquisition of a)	File No. WX-2026-0108
Small Water or Sewer Utility to be)	
used by a Large Water or)	
Sewer Public Utility)	

**MISSOURI-AMERICAN WATER COMPANY’S
COMMENTS ON PROPOSED RULE 20 CSR 4240-10.195**

COMES NOW Missouri-American Water Company (“MAWC” or “Company”) and provides its Comments related to Proposed Rule 20 CSR 4240-10.195 and, in support, states as follows:

1. On October 22, 2025, the Commission issued a Finding of Necessity and Order Directing Proposed Amendment 20 CSR 4240-10.165 Be Filed for Publication.
2. On October 22, 2025, the Commission made an Initial Filing of proposed rule 20 CSR 4240-10.195 with the Secretary of State.
3. On November 18, 2025, the Commission issued a Notice of Hearing and Comment Period establishing that comments must be received on or before December 31, 2025, and scheduling a public hearing regarding the proposed rule for January 7, 2026.
4. This Proposed Rule specifically addresses the requirements for using an appraisal to set the ratemaking based in an acquisition of a small water and/or sewer utility by a large public water utility in Senate Bill 4, as amended and codified in section 393.320, RSMo, effective August 28, 2025.
5. MAWC supports the Commission’s objective to provide a clear appraisal framework under section 393.320, RSMo.

6. MAWC recommends modifications to: (1) clarify the disqualification criteria for appraisers and consulting engineers; (2) distinguish appraisal scope from engineering evaluations; (3) permit "if available" filings for items not reasonably obtainable pre-application; and (4) streamline Commission appointment timelines to avoid delaying negotiations and customer benefits.
7. MAWC recommends defining “creditor” for purposes of subsection (1)(A), specifically to recognize that invoices paid within agreed terms would not disqualify an entity from serving as an appraiser or consulting engineer. MAWC proposes to add the following subsection as (1)(A)(1):

(1)(A)(1) For purposes of this subsection, “creditor” means a person or entity with a material financial claim against either utility outside ordinary-course trade payables.
8. MAWC recommends that under Section (1)(A), clarification be added indicating that ownership of shares through a broadly diversified investment vehicle, such as a mutual fund, index fund, or similar pooled investment, does not constitute a “material interest,” provided the appraiser has no control over the fund’s investment decisions. MAWC proposes the following language be included for this purpose as Section (1)(A)(2):

(1)(A)(2) Ownership of shares through a widely held mutual fund, index fund, or similar pooled investment vehicle shall not constitute a material interest, provided the appraiser does not exercise control over the fund’s investment decisions.
9. MAWC encourages the Commission to specify or clarify the terms “detailed and/or itemized information” it seeks for the supporting rationale under Section (1)(D) under this rule.
10. MAWC recommends relocating subsection (2)(M) and under Section (1)1, as section (1)(F), as it is directly applicable to the appraisal to be conducted.

11. MAWC strongly urges the Commission to adopt a process requiring the Commission to notify large water utilities when it intends to appoint an appraiser. This notification and Commission response would need to occur prior to the filing of the application referenced in Section (2), and many times will take place prior to the execution of an agreement or when the matter has become public. The Company proposes this process be incorporated under Section (1)(G) as proposed below. The Company recommends the Commission submit this notification to a utility no later than 30 days after the utility submits a confidential letter of notice to the General Counsel's office. MAWC proposes to add the following subsection as (1)(G):

(1)(G) Within fifteen days (15) days of receipt of a confidential letter submitted to the Commission's General Counsel, the Commission shall indicate whether it will appoint an appraiser under section 393.320, RSMo. If the Commission elects to appoint an appraiser, the appointment shall occur within forty-five (45) days of the receipt of such letter from the large utility. If the Commission declines, or no action occurs within that period of time, the large utility may proceed to jointly select qualified appraisers with the small utility.

12. MAWC proposes Section 2 of the Proposed Rule be modified as follows in red:

If a large water public utility determines to utilize the procedures under section 393.320, RSMo, for the acquisition of a small utility, then the large water or sewer public utility shall submit an application for the acquisition of the small water utility in accordance with the requirements established under section 393.320, RSMo, the requirements established in 20 CSR 4240-2.060, 20 CSR 4240-50.060, and 20 CSR 4240-60.050, and ~~shall~~ file with its application for each utility system to be acquired, **if available**:

13. MAWC proposes Section 2(K) of the Proposed Rule be modified as follows in red:

An engineering evaluation of the proposed small utility to be acquired ~~may~~ **shall** include, but not be limited to, the following items:

14. Attached as Exhibit A to this filing is a redlined version of MAWC's recommended modifications to the Proposed Rule.

WHEREFORE, MAWC respectfully requests the Commission consider these Comments and, thereafter, revise the proposed rule consistent therewith.

Respectfully submitted,

MISSOURI-AMERICAN WATER COMPANY

/s/ Rachel L. Niemeier

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or U.S. Mail on December 19, 2025 to the following:

Office of the Staff Counsel
Governor Office Building
Jefferson City, MO 65101
staffcounsel@psc.mo.gov

Office of the Public Counsel
Governor Office Building
Jefferson City, MO 65101
opc@opc.mo.gov

/s/ Rachel L. Niemeier

Title 20 – DEPARTMENT OF COMMERCE AND INSURANCE
Division 4240 – Public Service Commission
Chapter 10 – Utilities

PROPOSED RULE

20 CSR 4240-10.195 Appraisal Requirements for Acquisition of a Small Water or Sewer Utility to be used by a Large Water or Sewer Public Utility

PURPOSE: This rule establishes the requirements for using an appraisal to set the ratemaking rate base in an acquisition of a small water and/or sewer utility by a large water public utility in accordance with section 393.320, RSMo.

(1) Appraisals.

- (A) An appraiser or consulting engineer appointed for the purposes of this rule shall not be a creditor, equity security holder, or a shareholder of the utilities subject to the acquisition, and shall not have any material interest in either utility, or other large water or sewer public utilities.
 - 1. For purposes of this subsection, “creditor” means a person or entity with a material financial claim against either utility outside ordinary-course trade payables.
 - 2. Ownership of shares through a widely held mutual fund, index fund, or similar pooled investment vehicle shall not constitute a material interest, provided the appraiser does not exercise control over the fund’s investment decisions.
- (B) The appointed appraisers shall jointly prepare a fair and independent appraisal in accordance with section 393.320.3, RSMo.
- (C) Appraisals that do not include supporting rationale in accordance with section 393.320.3, RSMo, shall not be accepted as evidence supporting an application for acquisition.
- (D) For the purposes of this rule, supporting rationale includes detailed and/or itemized information and calculations used to derive the appraised value listed in the appraisal, including studies or documents produced by other specialists, such as an engineer.
- (E) If resources are referenced which are not publicly available, the appraisers shall provide copies of the referenced resource materials upon request by the commission or parties to the case.
- (F) An appraisal shall include, but is not limited to, the following:
 - 1. A listing of the licensed appraisers separated by and confirming who the appointed appraiser is representing for both the large public utility and small utility;
 - 2. The completed jointly prepared appraisal shall be attached to the application;
 - 3. If the appraisal references an engineering report, then the following shall be provided:
 - A. The name of the consultant or engineering company;
 - B. The name of the licensed engineer that completed or approved the report;

- C. A complete and unredacted copy of the report; and
- D. The engineering report shall be signed, sealed, and dated by a Missouri registered professional engineer;
- (E)(G) Within fifteen days (15) days of receipt of a confidential letter submitted to the Commission's General Counsel, the Commission shall indicate whether it will appoint an appraiser under section 393.320, RSMo. If the Commission elects to appoint an appraiser, the appointment shall occur within forty-five (45) days of the receipt of notice from a large utility. If the Commission declines or no action occurs, the large utility may proceed to jointly select qualified appraisers with the small utility.

- (2) If a large water public utility determines to utilize the procedures under section 393.320, RSMo, for the acquisition of a small utility, then the large water or sewer public utility shall submit an application for the acquisition of the small water utility in accordance with the requirements established under section 393.320, RSMo, the requirements established in 20 CSR 4240-2.060, 20 CSR 4240-50.060, and 20 CSR 4240-60.050, and ~~shall~~ file with its application for each utility system to be acquired, if available:
- (A) A general description of the acquisition;
 - (B) The date the appraisal was received;
 - (C) The number of current customer connections of the large water public utility;
 - (D) The utility type and number of current customer connections of the small water or sewer utility;
 - (E) A request to utilize the procedures in this rule and section 393.320, RSMo;
 - (F) If an effective purchase agreement has been executed, a statement stating such with a complete copy of the agreement attached;
 - (G) If a purchase agreement has not been executed but has been prepared, a statement stating such and a date when the purchase agreement will be finalized and available for request;
 - (H) A description with values and supporting calculations detailing current and proposed rates of the small utility customers with the supporting documentation for these calculations made available upon request by parties to the case or the commission, if such documentation exists;
 - (I) An explanation of how the acquisition is considered to be in the public interest;
 - (J) Documentation of customer integration which includes, but is not limited to, the following:
 - 1. Current customer contact practices for the small utility regarding hours of operation, office locations, names, addresses, phone numbers, email addresses, and websites for customer use to contact the small utility;
 - 2. Proposed practice for the small utility's customer contact with hours of operation, office locations, names, addresses, phone numbers, email addresses, and websites the small utility's customers will be using to contact or find information regarding the large public utility;
 - 3. Current and proposed payment options for customers;
 - 4. Current and proposed billing processes for customers including when meters are read, when bills are mailed, and when bills are considered late;
 - 5. Sample customer welcome letter(s) and customer rights and responsibilities notices the large public utility will send to the new customers;
 - 6. Sample customer discontinuance notice, final notice, and overdue payment notice the

- large public utility will send customers subject to these actions if the acquisition is approved; and
7. Sample customer bill the large water public utility will send customers if the acquisition is approved;
- (K) An engineering evaluation of the proposed small utility to be acquired ~~may shall~~ include, but not be limited to, the following items:
1. A statement listing the assets the large public utility is requesting to acquire from the small utility, which includes, if applicable, a description for the following:
 - A. Information and due-diligence determinations, including field notes, made by the large water public utility after conducting site-visit(s) of the small utility's wastewater treatment facility or drinking water treatment facility or both.
Information and due-diligence determinations shall include:
 - (I) Field notes made by the large water public utility from site-visits of the small utility's wastewater treatment facility or drinking water treatment facility or both;
 - (II) Facility description, including the customer capacity for which the system(s) was designed;
 - (III) Age of the facility;
 - (IV) Description of the distribution or collection system or both;
 - (V) Age of the distribution or collection system or both;
 - (VI) Material make-up of the system;
 - (VII) Design-life of the system;
 - (VIII) Description of back-up power;
 - (IX) Type of operational controls;
 - (X) Length of sewer collection system or water distribution system or both; and
 - (XI) Quantity and types of valves, meters, sensors, pumps, and useful life remaining for each;
 - B. Description of water supply source;
 - C. Description of drinking water hydraulics and pressure zones;
 - D. Description of drinking water tank mixing systems;
 - E. Description of drinking water controls and measurement systems;
 - F. Most recent Missouri Department of Natural Resources inspection reports for either the wastewater treatment facility or the drinking water system or both; and
 - G. A description of Missouri Department of Natural Resources compliance and enforcement violations and if the small utility is subject to Missouri Department of Natural Resources orders, settlements, or similar litigation, then these effective litigation documents shall be provided;
 2. If the small utility is a municipal system, a statement detailing any ordinances, bylaws, public meetings, alderman or similar meetings, and the results of any votes related to the acquisition with supporting documentation; and
 3. A description regarding the use of external financing anticipated for the acquisition of the small utility, or subsequent capital improvements to the small utility including, but not limited to, new construction, acquisition of land and equipment for the application of treated wastewater, or biosolids land application;
- (L) If upgrades or new construction is necessary, an engineering report shall be included and shall contain, at a minimum, the following:

1. A detailed physical description of all features to be upgraded or constructed;
2. A description of why the upgrade or new construction is necessary;
3. The cost of the proposed feature and any available alternative, with cost, examined;
4. If the small utility has either a short or long-term capital plan, the plan can be included as part of the engineering report; and
5. A projected timeline for completion, which shall incorporate permit requirements from the Missouri Department of Natural Resources;

~~(M) An appraisal shall include, but is not limited to, the following:~~

- ~~1. A listing of the licensed appraisers separated by and confirming who the appointed appraiser is representing for both the large public utility and small utility;~~
- ~~2. The completed jointly prepared appraisal shall be attached to the application;~~
- ~~3. If the appraisal references an engineering report, then the following shall be provided:~~
 - ~~A. The name of the consultant or engineering company;~~
 - ~~B. The name of the licensed engineer that completed or approved the report;~~
 - ~~C. A complete and unredacted copy of the report; and~~
 - ~~D. The engineering report shall be signed, sealed, and dated by a Missouri registered professional engineer;~~

~~4.6.~~ The requested purchase price as it relates to the appraisal amount that the large public utility proposes to use as the ratemaking rate base; and

~~5.7.~~ A fair market value determination showing that the acquisition is in the public interest, which shall include, but is not limited to, the following liabilities that reduce the value of the acquisition:

- A. Closure of obsolete utility structures such as lagoons, settling basins, unused wells, or other treatment structures no longer used or useful but required to be properly closed in accordance with chapters 640 and 644, RSMo;
- B. Urgently required repairs or immediate maintenance needed to maintain the usefulness of the current utility structures, such as replacement of failed pumps or blowers, shoring to prevent physical collapse, and other asset inventory items;
- C. Resolution of safety concerns such as urgently required electrical repairs, elimination of leaks of hazardous or toxic chemicals, and other repairs that have potential to cause harm to system operators or the public;
- D. Demolition and removal of any derelict utility structures including but not limited to unused buildings, treatment or storage structures, lifts stations, or other similar structures; and
- E. Known environmental remediation such as removal of solid waste, petroleum contamination, asbestos abatement, lead paint, or other substances known to cause negative impacts to human health; and

~~(N) F.~~ All documents, evaluations, or reports prepared by, or under the direct supervision of, a registered professional engineer shall be signed, sealed, and dated by either the professional engineer or direct supervisor licensed in the state of Missouri.

(3) If the appraised value of the acquisition is \$5,000,000 or less, the commission staff shall provide a recommendation within one hundred twenty (120) days after receipt of the application for acquisition. Commission staff may request a thirty- (30-) day extension to the staff recommendation due date for good cause.

(4) The commission may grant a variance from specific portions of this rule for good

cause. Any request for variance shall cite to specific portions of this rule and shall be included when the application for acquisition is filed. Such a variance, if granted, may not conflict with any mandatory portions of section 393.320, RSMo.

AUTHORITY: section 386.250, RSMo, and section 393.320.9, SS#2 SB4, First Regular Session of the 103rd General Assembly. Original rule filed October 22, 2025.

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.

PRIVATE COST: This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.

NOTICE TO SUBMIT COMMENTS AND NOTICE OF PUBLIC HEARING: Anyone may file comments in support of or in opposition to this proposed rule with the Missouri Public Service Commission, Nancy Dippell, Secretary of the Commission, P.O. Box 360, Jefferson City, MO 65102. To be considered, comments must be received at the commission's offices on or before December 31, 2025, and should include a reference to commission Case No. WX-2026-0108. Comments may also be submitted via a filing using the commission's electronic filing and information system at <http://www.psc.mo.gov/efis.asp>. A public hearing regarding this proposed rule is scheduled for January 7, 2026, at 12:00 pm., in Room 310 of the Governor Office Building, 200 Madison St., Jefferson City, Missouri. Interested persons may appear at this hearing to submit additional comments and/or testimony in support or in opposition to this proposed rule, and may be asked to respond to commission questions. Any persons with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one (1) of the following numbers: Consumer Services Hotline 1-800-392- 4211 or TDD Hotline 1-800-829-7541.