

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. SA-2024-0307
Confluence Rivers Utility Operating Company, Inc.

FROM: Kelli Malki – Financial Analysis Department
Lovenia Jahr – Customer Experience Department
Melanie Marek – Auditing Department
Adam Stamp – Water, Sewer, Gas & Steam Department
Michael Abbott – Water, Sewer, Gas & Steam Department

/s/ Michael Abbott 01/22/2026
Senior Project Manager Date

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

DATE: January 22, 2026

Executive Summary

Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”) filed a Certificate of Convenience and Necessity (“CCN”) to operate a defunct sewer system for the Timber Ridge Subdivision (“Timber Ridge”). Confluence Rivers will need to construct a new wastewater treatment facility (“WWTF”) and collection system for the five (5) residential homes in Timber Ridge as there is no existing sewer system, resulting in the discharge of untreated sewage into waters of the state. It is Staff’s position that Confluence Rivers’ construction and operation of the Timber Ridge WWTF would provide environmental benefit fulfilling the need for sewer service.

Case Background

On April 18, 2024, Confluence Rivers filed an *Application and Motion for Waiver* (“Application”) with the Commission requesting a CCN authorizing it to install, acquire, build, construct, own, operate, control, manage and maintain a sewer system for the public in the Timber Ridge subdivision, in Johnson County, Missouri. Timber Ridge is composed of five residential homes with no existing sewer system. Each home has an individual septic tank that discharges directly to the ground. Confluence Rivers proposes acquiring land and easements to provide service for the five (5) homes in Timber Ridge for an agreed upon purchase price of ** [REDACTED] **. The

**** Denotes Confidential Information ****

individual septic tanks will be located on the property of the residents, but the collection system and land application area would be located on land owned and operated by Confluence Rivers.

On April 19, 2024, the Commission issued its *Order Directing Notice, Setting Deadline for Intervention Requests* establishing that any application to intervene be filed no later than May 10, 2024. On May 1, 2024, Confluence Rivers filed its *Supplement to Application* (“Supplemental Application”), which included an Engineering Memorandum applicable to Timber Ridge. On May 13, 2024, the Commission issued its *Order Directing Filing of Staff Recommendation*, ordering Staff to file its recommendation or status report no later than June 11, 2024. On June 7, 2024, Staff filed its *Status Report* requesting additional time to file its recommendations by July 25, 2024, which was granted by the Commission on June 7, 2024. Also, on June 7, 2024, Confluence Rivers filed its *Second Supplement to Application* (“Second Supplemental Application”), which includes two letters expressing support for approval of Confluence Rivers’ requested CCN.¹ On September 23, 2024, Staff requested the Commission suspend its order for a recommendation to allow Confluence Rivers’ to amend its application to address issues raised by Missouri Department of Natural Resources (“DNR”).

On November 7, 2025, Confluence Rivers filed its *Motion for Leave to Amend Application* (2025 revised application) revising its requests for a CCN authorizing it to install, acquire, build, construct, own, operate, control, manage and maintain a sewer system for the public in the Timber Ridge subdivision. The 2025 revised application included an amended Appendix F-C, the feasibility study associated with the project.

Confluence Rivers proposes to utilize its existing District 1 sewer monthly flat rate of \$60.21 as a just and reasonable rate until such time as a rate case is completed that will include Timber Ridge. As noted in Confluence Rivers 2025 revised application, the sewer rate is intended to apply to ‘sewer customers located at systems with limited treatment technology’ which is established in Confluence Rivers’ tariff P.S.C. Mo No. 31, Sheet No 122.

¹ One of those letters is from the Director of the Water Protection Program of the DNR, and the other is from John H. Edmiston, Attorney at Law, who represents the five Timber Ridge Subdivision residents.

Additionally, as part of the 2025 revised application, Confluence Rivers proposes to establish three (3) temporary holding tanks to receive wastewater from Timber Ridge residents for approximately three (3) months pending the construction of the new WWTF facility to serve Timber Ridge residents, along with pumping and hauling the wastewater to a DNR permitted regulated WWTF. Confluence Rivers also proposes that it be authorized to record a monthly amount equal to the difference between the cost of the temporary holding tanks and the rates charged to Timber Creek residents in a regulatory asset account for recovery in Confluence Rivers' next general rate case. The estimated cost of pumping and hauling is \$8,000 per month, which equates to \$24,000 for the three (3) month construction period.

On November 12, 2025, the Commission issued its *Order Setting Time for Response* establishing responses to the 2025 revised application be filed no later than November 17, 2025, and that no later than November 17, 2025, Commission's Staff shall file a pleading indicating a date when it expects to be able to file its recommendation. On November 17, 2025, Commission Staff filed its *Status Report* requesting that the Commission set the date of January 15, 2026, for Staff to file its recommendation on this matter.

Confluence Rivers has no overdue Commission annual reports or assessment fees. Additionally, no parties sought to intervene in the case, and to date, no public comments have been submitted.

Background of Confluence Rivers Utility Operating Company, Inc.

Confluence Rivers is a regulated water and sewer utility currently providing service in Missouri. Confluence Rivers is a subsidiary of Central States Water Resources, LLC ("CSWR"), which also owns and operates other water and sewer companies in several other states. In its Application, Confluence Rivers states it currently provides water service to approximately 5,700 customers and sewer service to approximately 5,800 customers in several Missouri counties. However, in

subsequent filings, Confluence Rivers has increased water service to the counts of 6,500 customers and 6,400 sewer service.²

Background of Timber Ridge

From at least 1996, Albert and Barbara Rampone developed a subdivision called Timber Ridge, composed of seven lots with five residential homes. The residences were served by a sewer collection system and two single-cell lagoons (“lagoons”). The Rampones never held a Missouri State Operating Permit (“MSOP”) and did not construct the collection and treatment system in accordance with DNR’s regulations and design standards in violation of Missouri’s Clean Water Law (“MCWL”).³ However, residential homes in Timber Ridge were sold under the agreement that sewage disposal meet the minimum standards required by DNR.⁴

As originally constructed, Timber Ridge was composed of seven lots, with residential homes constructed on five of those lots. The homes were served by septic tanks, two collection systems, and two single-cell lagoons (it is not known which houses were connected to which lagoon). The lagoons serving Timber Ridge were found to be discharging partially treated sewage into waters of the state by DNR. On April 4, 2003, a Petition for Injunction and Civil Penalties was filed against Mr. Rampone for Timber Ridge for the unpermitted lagoons in the Circuit Court of Johnson County.⁵ On March 16, 2010, Johnson County Circuit Court awarded judgement to DNR. The judgement ordered Mr. Rampone to cease any and all discharges from the lagoons serving Timber Ridge, submit an engineering report for the upgrade or replacement of the lagoons, submit plans, specifications, and a complete application for a construction permit for the upgrade or replacement of the lagoons, and to complete construction of the upgrade or replacement within 180 days of issuance of the DNR construction permit.⁶ To date, the Judgement was not satisfied.

Rather than construct upgrades or replacement of the lagoons as ordered, Mr. Rampone severed sewer customer connections to the collection systems and demolished the lagoons without a DNR

² SA-2026-0126 In the Matter of Application of Confluence Rivers Utility Operating Company, Inc., for a Certificate and Necessity to Provide Sewer Service in an Area of Lafayette County, Missouri (Swan Lake Estates)

³ Subsections 644.051.1 and 644.076.1, RSMo.; 10 CSR 20-6.010(1)(A); and 10 CSR 20-6.010(5)(A)

⁴ Declaration of Restrictions and Covenants

⁵ Petition for Injunction and Civil Penalties

⁶ Judgement Case No. 17V040300195, Johnson County, MO

required closure plan. This resulted in untreated sewage discharges from Timber Ridge customers, which was brought to DNR's attention and investigated on October 31, 2016.⁷ Mr. Rampone passed away on July 23, 2017, leaving Barbara Rampone as sole owner and the party responsible for Timber Ridge. On November 3, 2020, Confluence Rivers entered into an *Agreement for Sale of Utility* with Ms. Rampone.⁸

Staff's Investigation

Staff visited the Timber Ridge subdivision on May 6, 2024. Staff observed the terrain, the residents' homes, and spoke with Timber Ridge residents. The neighborhood consists of seven (7) lots with five (5) of the seven lots containing single family homes with each home built near the main access road with each lot being approximately one-half acre in size. Currently, wastewater produced from the residences flows into the woods behind each home. Staff also observed during the investigation and subsequent desk mapping the subdivision is surrounded by approximately 160 acres to the East, North, and West, which is currently owned by Barbara E. Rampone Trust.⁹ While Staff has not been privy to any conversations regarding future construction of homes or subdivisions, Staff finds it important to note that there is additional land owned by the developer that could result in an expansion to the current Timber Ridge subdivision or construction of new subdivisions.

According to the 2025 revised application Appendix F-C submitted by Confluence Rivers, a properly constructed community wastewater system will have a final cost of approximately ** [REDACTED] ** once it is completed.¹⁰ This would consist of a new collection system, a single

⁷ February 15, 2017, letter from DNR to Mr. Albert Rampone

⁸ Appendix A-C - Confidential

⁹ <https://app.regrid.com/us/mo/johnson#>

¹⁰ Revised Appendix F-C Timber Ridge Feasibility filed 11/07/2025

no-discharge treatment system including a septic tank and its associated drain field, and pumps necessary for moving wastewater from the homes to the tank's location.

Proposed Capital Investments, if Confluence's Application is Approved

As stated in Confluence Rivers' response to Data Request No. 0021,¹¹ 21 Design Group, Inc. has identified the following proposed capital investments with estimates of cost.

Initial Improvements:

- Clear and grub site for collection system install
- Clear and grub site for drip field, fencing, access road
- New electric service to site
- Access road construction

** [REDACTED] **
** [REDACTED] **
** [REDACTED] **
** [REDACTED] **

Secondary Improvements

- Install site fencing (woven wire)
- Install 8" sewer main
- Install 2 grinder stations
- Install 4 manholes
- Install new subsurface WWTF (approximately 0.66-acre drip field) **

** [REDACTED] **
** [REDACTED] **
** [REDACTED] **
** [REDACTED] **

The total estimated cost for a new WWTF is ** [REDACTED] **. When added to the purchase price of ** [REDACTED] **, and the preliminary survey and investigation cost of ** [REDACTED] ** the total cost of the project is ** [REDACTED] **.

Service Area

Confluence Rivers provided a service area map and Staff determined that the service area contains all parts of the sewer collection and treatment facility. If the Commission approves the CCN application, then Staff would recommend acceptance of the service area.

Rate Base

Staff reviewed information provided by Confluence Rivers in response to Staff's Data Requests and the information in Confluence Rivers' *Application* and *2025 revised application*, which

¹¹ Data Request No. 0021 updated Confluence Rivers' Engineering Memo found under EFIS Item 3 in Case No. SA-2024-0307

included the sale agreement document. Typically, Staff recommends the value of plant investment, or rate base, by evaluating supporting documentation of the original cost of the utility plant, annual depreciation expense, and whether interactions with non-utility parties resulted in contributed plant-in-service. The initial costs invested in the plant, usually referred to as development costs, are recovered by the developer through sale of lots and are treated as Contribution in Aid of Construction (“CIAC”) on the utility’s books and records. Including this previously recovered cost into base rates would result in a double recovery of the development costs from the utility customers. Due to a lack of plant assets in this case and based on the lack of the original cost documentation, Staff recommends accounting for assets of Timber Ridge as fully contributed plant (no rate base value).

Depreciation

There is no existing WWTF, thus depreciation rates are not applicable at this time.

Customer Impact

As there is no current wastewater collection and treatment system in place, Confluence Rivers has plans to build a system to service these five (5) residences for Timber Ridge at the aforementioned amount of ** [REDACTED] **.¹² Timber Ridge residents would either need to be subsidized by existing Confluence Rivers customers or have extremely high rates to pay off this project. There is no forecasted population growth in the proposed service area and residents do not currently pay any rates as there are no current services being provided.

Confluence Rivers proposes the initial monthly flat sewer rate of \$60.21 for the first eighteen (18) months after approval. Per its feasibility study submitted with its *2025 revised application*, after the 18-month initial period, Confluence Rivers estimates the rate for Timber Ridge customers to increase to ** [REDACTED] **.¹³ The initial rate of \$60.21 is consistent with Confluence Rivers’ current tariffed rate for lagoon systems, but will be an increase to Timber Ridge residents as they currently do not pay for sewer services. However, regarding the proposed

¹² Revised Appendix F-C Timber Ridge Feasibility filed 11/07/2025

¹³ Ibid.

rate of ** [REDACTED] **, Confluence Rivers responded to Staff's Data request No. 44, inquiring about the time-period Timber Ridge residents would be charged the proposed rate, with the following:

** [REDACTED]

**

Customer Experience

Publicity and Customer Notice

According to information provided to Staff, Confluence Rivers has not provided any communications to Timber Ridge residents regarding the potential rates; however, an attorney representing Timber Ridge residents wrote a letter in support of the application, which is Appendix I in the *Second Supplement to Application* filed June 7, 2024.

Customer Service and Billing

The business office for Confluence Rivers will not change as a result of the proposed acquisition. The main office for Confluence Rivers is located at 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131. Customers will be able to contact Confluence Rivers' customer service department by calling the toll-free phone number (866) 945-3920, the emergency toll-free number (866)945-3920 option 2, or by sending an email to customer service at support@confluenceriversuoc.com. The emergency number, website, and email are available 24/7. According to Confluence Rivers, this information will be provided in the customer brochure, the website, and in all written materials that will be sent to customers. The main office is open from 8:00 am to 5:00 pm Monday - Friday to respond to customer concerns forwarded by operations or customer service personnel. Additionally, main office customer service personnel are available to be contacted after hours for emergency calls.

Once Confluence Rivers acquires the system, the payments options will include check, money order, cashier's check, e-check, credit/debit cards, Apple Pay, Google Pay, PayPal Cash, and Check Free Pay. Online payments can be made using any of the methods listed.

In order to incorporate Timber Ridge customers' information into its billing and customer service system, Confluence Rivers will obtain a list of Timber Ridge residents which will be affected. That data will then be entered into Confluence Rivers' billing system via data import or by manual data entry.

Confluence Rivers will utilize its standard billing process. Bills will be calculated near the first week of each month utilizing its billing software, Muni-Link. Bills are mailed by a mailing service. Bills will have a due date of the last business day of the month, at least 21 days after each bill's rendition. Late fees are posted the day after the due date or within the first few days following the due date by Confluence Rivers' Billing Specialists. Payments are posted automatically if paid by debit/credit card or e-check using Muni-Link Software and Invoice Cloud (third party provider of electronic bill pay). Auto-pay occurs three (3) days prior to due date. Posting occurs prior to bill rendition and payments are manually posted daily by Confluence Rivers' Billing Specialists. Customers are contacted twice prior to disconnection via a written delinquent notice and a door hanger.

Rate and Tariff Matters

Currently, residents of Timber Ridge do not pay for sewer services as there is no sewer service. On June 21, 2023, Confluence Rivers entered an Abatement Order on Consent ("AOC") Order No. 2023-WPCB-1840 with DNR. This order requires Confluence Rivers to make all efforts in good faith to operate Timber Ridge in compliance with DNR regulations including operating and maintaining to the extent to prevent further unpermitted discharges to the environment, even if this requires the regular pumping and hauling of wastewater from the existing individual residential septic tanks.

As proposed by Confluence Rivers, the initial monthly flat rate of \$60.21 would be applied to the residents of Timber Ridge. After the initial 18-month initial time-period, Confluence Rivers has assumed an estimated wastewater monthly flat rate of ** [REDACTED] ** predicated on the assumption

that the Commission would allow Confluence Rivers to ** [REDACTED]

[REDACTED] ** per Confluence Rivers response to Staff's Data Request No. 0044. Confluence Rivers also indicated, in response to Staff's Data Request No. 0044, that the ** [REDACTED]

[REDACTED] **. Any recommendation about Timber Ridge's future rates will need to be analyzed and determined as part of a rate case.

In addition, Confluence Rivers should be required to develop and propose an impact fee for future customers of Timber Ridge, once actual construction costs are known and as part of a future general rate case to reduce the cost of the WWTF for existing Confluence Rivers' broader customers. For the purposes of this matter, an impact fee refers to a required contribution from any new resident to the Timber Ridge subdivision in the event that the subdivision is expanded with additional lots. This fee will be incorporated into the price of the home or lot, either at the time the developer sells the lot or the completed home. In cases where an individual purchases a lot and constructs their own home, the homeowner will be responsible for paying the impact fee. As described above, significant amounts of land are still owned by the developer and are available for future development. It is Staff's experience that availability of sewer service is among the most significant drivers of subdivision development. An impact fee, treated as CIAC, would help pay down the extraordinary rate base proposed by Confluence Rivers for this subdivision.

Technical, Managerial, and Financial Capacity and Tartan Energy Criteria

Staff utilizes the concepts of Technical, Managerial, and Financial capacities ("TMF") in studying applications involving existing water and/or sewer systems. Staff has reviewed and stated its position on the TMF capacities regarding Confluence Rivers' and its affiliates in previous CCN and transfer of assets cases before the Commission. Staff's position on Confluence Rivers' ability to meet TMF criteria remains positive regarding those affiliates, and it similarly takes the position that Confluence Rivers has adequate TMF capacity in this case. It is Staff's position that Confluence Rivers has the ability to secure funding, to oversee construction of any necessary upgrades or repairs, and the ability to successfully manage operations of the Timber Ridge sewer utility system.

When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company and referred to now as the “Tartan criteria.” The Tartan criteria contemplate 1) the need for service; 2) the utility’s qualifications; 3) the utility’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 sewer service. Existing customers based in Timber Ridge have both a desire and need for service. As stated above, the customers do not presently have a centralized sewer system and are currently discharging untreated sewage to waters of the state.

(2) Applicant’s Qualifications

Confluence Rivers is qualified to own and operate the Timber Ridge system. Confluence Rivers is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. Confluence Rivers currently provides water service to approximately 6,500 customers and sewer service to approximately 6,400 customers in several service areas throughout Missouri.¹⁴ Additionally, Confluence Rivers has affiliates that provide water and sewer services in several other states.

(3) Applicant’s Financial Ability

Staff evaluated whether Confluence Rivers has the financial capability to acquire the unregulated sewer system assets of Timber Ridge, and to upgrade, own, operate, maintain, and otherwise manage those systems. The purchase price of the acquisition is ** [REDACTED] **, with a total estimated project cost of ** [REDACTED] **.¹⁵ Confluence Rivers has stated that it possesses “the financial

¹⁴ SA-2026-0126 In the Matter of Application of Confluence Rivers Utility Operating Company, Inc., for a Certificate and Necessity to Provide Sewer Service in an Area of Lafayette County, Missouri (Swan Lake Estates)

¹⁵ Appendix A-C and F-C, The Application.

strength and resources necessary to make expenditures and investments required to maintain the systems.”¹⁶

Staff’s review of Confluence Rivers’ 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 Rivers as “Payable to Associated Companies” on its balance sheet.¹⁷ Although this item appears in the Long-Term Liabilities section, Confluence Rivers 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 the equity portion of its capital when calculating its debt-to-capital ratios.¹⁸

Confluence Rivers also indicated that, as the company works toward achieving a 50/50 equity-to-debt capital structure, it assumes half of the total project cost will ultimately be financed with debt.¹⁹ 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.²⁰

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

Although neither Confluence Rivers nor CSWR are publicly traded, a review of their financial ratios shows the following:²¹

¹⁶ Paragraph 15, The Application.

¹⁷ Confluence’s response to Data Request No. 0007.3 as a part of case WF-2023-0023.

¹⁸ Ibid.

¹⁹ Confluence’s response to Data Request No. 0005 as a part of case WA-2026-0056.

²⁰ Ibid.

²¹ Confluence’s response to Data Requests No. 0048, No. 0049, and Malki’s Workpaper.

Confluence Rivers

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

CSWR

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

A review of Confluence Rivers' 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 Rivers' 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.²² Negative FFO-to-Debt ratios are atypical, as this metric is generally positive,²³ and therefore these ratios do not provide a meaningful indication of the companies' financial positions.

For the period 2023–2027, Confluence Rivers projected an average annual capital expenditure of ** [REDACTED] **,²⁴ while its parent company, CSWR, projected an average annual capital expenditure of ** [REDACTED] **.²⁵ The total purchase price of the merger represents less than 1% of Confluence Rivers' projected average annual capital expenditures and less than 0.1%

²² Ibid.

²³ FFO/Debt ratios typically range from less than 12 for "Highly Leveraged" risk companies to greater than 60 for "Minimal" risk companies.

²⁴ Confluence's response to Data Request No. 0005 as a part of Case WA-2023-0398.

²⁵ Confluence's response to Data Request No. 0183 as a part of Case WR-2023-0006.

of CSWR's.²⁶ Similarly, the total estimated project cost is less than 29% of Confluence Rivers' 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 Rivers indicated it could not provide updated forecasts for itself or its parent but did provide Confluence Rivers' most recent Capital Improvement Plan ("CIP").²⁷ 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] **.²⁸ While meaningful for Confluence Rivers, these project costs are modest compared to the financial capacity of CSWR.

A review of the historical financial statements of both Confluence Rivers and CSWR indicates that each has generally maintained sufficient funds to support acquisition- and merger-related expenditures. However, both Confluence Rivers and CSWR have consistently reported negative net income from 2020 to the present, as well as in the pro forma projections.²⁹

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.³⁰ Given sector demographics, the majority of water and sewer utility acquisition activity is expected to continue stemming from the acquisitions of financially challenged, small private systems and municipal utility systems by the largest investor-owned utilities.³¹

²⁶ The percentage of the purchase cost (** [REDACTED] **) from the average five-year capital expenditure provided by Confluence in case WR-2023-0006 (** [REDACTED] **).

²⁷ Confluence's response to Data Request No. 0004 as a part of Case No. WA-2026-0054.

²⁸ Confluence's response to Data Request No. 0004 as a part of Case No. WA-2026-0054 and Malki's Workpaper.

²⁹ 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 as a part of Case No. WA-2026-0054.

³⁰ 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>.

³¹ 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.

A review of the merger and acquisition cases filed by Confluence Rivers during fiscal years 2023-2026 shows that, within those four years, Confluence Rivers filed eighteen CCN and acquisition and merger (“M&A”) cases, seven of which involved joint sewer and water systems.³²

The total purchase cost for all eighteen of Confluence Rivers’ most recent CCN and M&A cases is approximately ** [REDACTED] **,³³ which is about ninefold Confluence Rivers’ 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 Rivers’ eighteen CCN and Merger cases filed between fiscal years 2023–2026, including this case, is approximately ** [REDACTED] **.³⁴ This amount is roughly eighteenfold Confluence Rivers’ average annual projected capital expenditures but represents only about 21% of CSWR’s.

When compared to Confluence Rivers’ future CIP, the combined purchase costs of these eighteen cases represent approximately 25% of Confluence Rivers’ total planned CIP expenditures, while the total project costs represent approximately 56%. This indicates that although the scope of Confluence Rivers’ 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.

These findings indicate that Confluence Rivers has pursued a relatively aggressive growth strategy through its recent acquisition activity. However, with the financial support of its parent company, CSWR, Confluence Rivers appears capable of accommodating and managing the risks associated with these practices.³⁵ In addition, the trend of larger, financially stronger companies acquiring

³² 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.

³³ 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.

³⁴ 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.

³⁵ Confluence’s response to Data Request No. 0048 and No. 0049 shows all costs associated with this case coming from their parent company, CSWR.

smaller, financially challenged water and sewer systems is consistent with industry patterns observed nationwide.³⁶

While Staff has concerns regarding Confluence Rivers' "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 Rivers to purchase, upgrade, own, operate, maintain, and otherwise control and manage the Timber Ridge sewer system. Therefore, it is Staff's opinion that Confluence Rivers, with the financial backing of its parent company, CSWR, is financially capable of undertaking the acquisition and improvements requested in the application.

(4) Economic Feasibility of the Proposal

Staff is unable to confirm that the proposal is economically feasible, which for the purpose of this matter means the degree to which the economic advantages of something to be made, done, or achieved are greater than the economic cost.³⁷ Staff cannot put a definitive value regarding benefits or disadvantages received by either Timber Ridge residents or existing Confluence Rivers customers with the potential construction of the WWTF for Timber Ridge based upon the Application.

(5) Promotion of the Public Interest

Staff asserts that this acquisition promotes public interests based on public health.

Subdivisions, similar to Timber Ridge, are occasionally found to be in non-compliance with environmental regulations, often through no fault of the residents. These situations are particularly challenging to resolve due to limited resources and the high cost of available solutions. When

³⁶ 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>.

³⁷ Cambridge Dictionary definition of economic feasibility
<https://dictionary.cambridge.org/us/dictionary/english/economic-feasibility?q=Economic+Feasibility>

non-compliance involves pollution, it poses a significant risk to human health and the environment, in addition to violating the law. In many cases, neither the residents nor the developer have the means to resolve these issues independently. However, two (2) reliable solutions typically include connecting the residents to an existing neighboring WWTF or transferring ownership to a more capable company.

This acquisition and subsequent construction of a 1,350 gallons per day permanent centralized WWTF and collection system for Timber Ridge by Confluence Rivers removes the ongoing violations of applicable MCWL requirements and removes the potential for public exposure to harmful health risks as untreated wastewater contains bacteria, viruses, parasitic organisms, and molds and fungi that may enter a body via direct contact or inhalation.³⁸ Staff also believes that the WWTF can be constructed in a short amount of time (i.e., 3 to 6 months) compared to a typical wastewater treatment system due to the fact that DNR construction and operating permits are not required in accordance with 10 CSR 20-6.010(1)(B)11 and 10 CSR 20-6.010(5)(B)3.

In considerations of the above, Staff agrees with DNR³⁹ that Confluence Rivers has consistently demonstrated a willingness to acquire some of Missouri's most difficult and failing WWTFs. Confluence Rivers has the resources and expertise necessary to address non-compliance issues in subdivisions like Timber Ridge and provides solutions for residents in situations that would otherwise be nearly impossible to resolve, but solutions come at a cost; however, resolving subdivisions like Timber Ridge over time benefits Missouri and the public as water quality and economic activities are improved due to water being safer to drink, public enjoying recreational activities, and the reduction of waterborne illnesses.

Other Issues

Timber Ridge, as an unregulated sewer corporation, has no obligations due to the Commission, and has no pending actions before the Commission.

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

³⁸ <https://dnr.mo.gov/water/business-industry-other-entities/permits-certification-engineering-fees/wastewater/sewer-overflows>

³⁹ June 6, 2024, letter from Water Protection Program Director John Hoke to Confluence Rivers found under EFIS Item 7 in Case No. SA-2024-0307.

Confluence Rivers is current with annual report filings with the Commission through calendar year 2022, as documented on the Commission's Electronic Filing and Information System ("EFIS").

Confluence Rivers is current on its annual assessment payments.

Confluence Rivers has no pending cases which would have an impact on this case.

DNR supports Confluence Rivers acquisition of Timber Ridge.

Staff Recommendation

Based upon the above, Staff recommends that the Commission approve the application for a CCN. Additionally, Staff recommends the following items:

1. Require Confluence Rivers to provide training to its call center personnel regarding rates and rules applicable to the sewer customers in the acquired area;
2. Require Confluence Rivers to distribute to the customers in the acquired service area 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;
3. Require Confluence Rivers to provide to the Customer Experience Department ("CXD") Staff an example of its actual communication with Timber Ridge residents regarding its acquisition and operation of the sewer system, and how customers may reach Confluence Rivers, within ten (10) days after closing on the assets;
4. Require Confluence Rivers to provide to the CXD Staff a sample of five (5) billing statements from the first three month's billing for the sewer system within ten (10) days of the billings;
5. Require Confluence Rivers to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing for the acquired sewer system within ten (10) days after such communications and notifications;
6. Require Confluence Rivers to include the sewer 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;
7. Grant Confluence Rivers' request for waiver from 20 CSR 4240-4.017(1);
8. Grant Confluence Rivers a CCN to provide sewer service in the proposed Timber Ridge service area;
9. Approve Confluence Rivers' proposed monthly charge of \$60.21 for sewer services at Timber Ridge, and the rules governing sewer service currently located in Confluence Rivers' sewer tariff P.S.C. Mo No. 31;
10. Require Confluence Rivers to submit tariff sheets, to become effective before closing on Timber Ridge to include the amended service area map and amended services area written description;

11. Require Confluence Rivers to notify the Commission of closing on Timber Ridge within five (5) working days after closing;
12. If the closing on Timber Ridge does not occur within thirty (30) days following the effective date of the Commission's order approving such, require Confluence Rivers 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 Rivers determines that the transfer of the assets will not occur;
13. If Confluence Rivers determines that a transfer of the assets will not occur, require Confluence Rivers 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 Rivers to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the service area in its sewer tariff, and rate and charges sheets applicable to customers in the service area in the sewer tariff;
14. Require Confluence Rivers adhere to the existing AOC or new AOC with DNR ensuring safe and adequate services and ensuring compliance with the Missouri Clean Water Law and its implementing regulations;
15. Require Confluence Rivers to complete installation of the subsurface irrigation system within two (2) years of closing;
16. Require Confluence Rivers to submit a tariff filing within 30 days of completion of construction of the wastewater treatment system;
17. Require Confluence Rivers to track specific Timber Ridge construction costs of temporary storage and pumping and hauling of wastewater. These costs will be recorded in a regulatory asset with potential recovery in a future general rate case; and
18. Require Confluence Rivers to file notice in this case once Staff Recommendations Nos. 1 – 17 have been completed.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

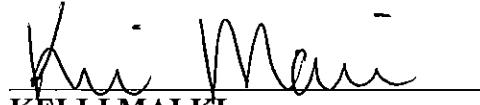
In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc. to) File No. SA-2024-0307
Acquire Certain Sewer Assets and for a)
Certificate of Convenience and Necessity)
(Timber Ridge))

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.

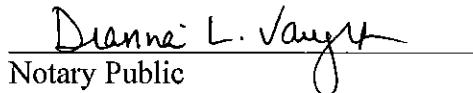
Further the Affiant sayeth not.



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 14th day of January 2026.



Notary Public

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: July 18, 2027 Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence)
Rivers Utility Operating Company, Inc. to) File No. SA-2024-0307
Acquire Certain Sewer Assets and for a)
Certificate of Convenience and Necessity)
(Timber Ridge))

AFFIDAVIT OF LOVENA JAHR

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

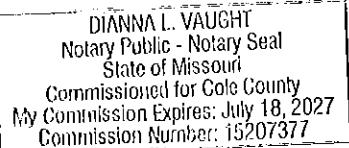
COMES NOW LOVENA JAHR and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


LOVENA JAHR

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 20th day of January 2026.



Dianna L. Vaught
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. to) File No. SA-2024-0307
Acquire Certain Sewer Assets and for a)
Certificate of Convenience and Necessity)
(Timber Ridge))

AFFIDAVIT OF MELANIE MAREK

STATE OF MISSOURI)
)
) ss.
COUNTY OF COLE)

COMES NOW MELANIE MAREK 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.

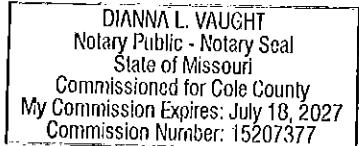
Further the Affiant sayeth not.

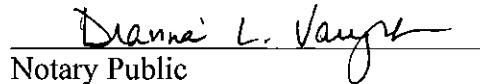


MELANIE MAREK

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 15th day of January 2026.





Dianna L. Vaught
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. to) File No. SA-2024-0307
Acquire Certain Sewer Assets and for a)
Certificate of Convenience and Necessity)
(Timber Ridge))

AFFIDAVIT OF ADAM STAMP

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

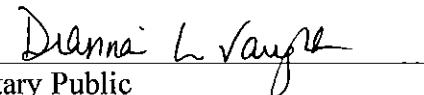
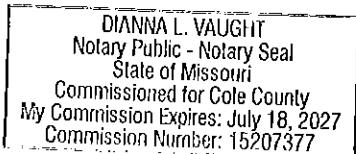
COMES NOW ADAM STAMP and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

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 15th day of January 2026.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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(Timber Ridge))

AFFIDAVIT OF MICHAEL J. ABBOTT

STATE OF MISSOURI)
COUNTY OF COLE)
ss.

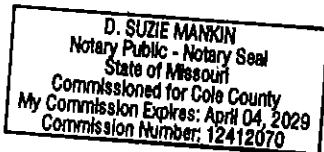
COMES NOW MICHAEL J. ABBOTT and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


MICHAEL J. ABBOTT

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 14th day of January 2026.



Despina Lankis
Notary Public