

# Denny Hoskins

Secretary of State / Administrative Rules

## RULE TRANSMITTAL

Administrative Rules Stamp

JCAR Stamp

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**By JCAR at 1:00 pm, Mar 05, 2026**

Rule Number 20 CSR 4240-10.195

Use a SEPARATE rule transmittal sheet for EACH individual rulemaking.

Name of person(s) Administrative Rules can contact with questions about this rule:

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### TYPE OF RULEMAKING ACTION TO BE TAKEN

Emergency Rulemaking >  Rule  Amendment  Rescission  Termination

Effective date for the emergency \_\_\_\_\_

Proposed Rulemaking >  Rule  Amendment  Rescission

Rule Action Notice

In Addition

Rule Under Consideration

Request for Non-Substantive Change

Statement of Actual Cost

Order of Rulemaking >  Withdrawal  Adoption  Amendment  Rescission

Effective date for the order \_\_\_\_\_

Statutory 30 days OR Specific date \_\_\_\_\_

Does the Order of Rulemaking contain changes to the rule text?  NO

YES—LIST THE SECTIONS/SUBSECTIONS WITH CHANGES:

Changes to section (1); changes to subsections (1)(A) and (1)(E); adding new subsections (1)(F) and (2)(C); renumbering subsections (2)(C)-(2)(M); changes to subsection (2)(M) (including renumbering); adding new subsection (2)(O); changes to sections (4) and (5); adding new subsection (4)(A); and renumbering section (6).



## *Missouri Public Service Commission*

**MAIDA J. COLEMAN**  
Commissioner

**KAYLA HAHN**  
Chair

**JOHN P. MITCHELL**  
Commissioner

**GLEN KOLKMEYER**  
Commissioner

POST OFFICE BOX 360  
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**VACANT**  
Commissioner

Sarah Schappe  
Director  
Joint Committee on Administration Rules  
State Capitol, Room B8A  
Jefferson City, Missouri 65101

### **Re: Appraisal Requirements for Acquisition of a Small Water or Sewer Utility to be used by a Large Water or Sewer Public Utility**

Dear Director Schappe,

#### CERTIFICATION OF ADMINISTRATIVE RULE

I do hereby certify that the attached is an accurate and complete copy of the order of rulemaking lawfully submitted by the Missouri Public Service Commission.

Statutory Authority: *section 386.250, RSMo, and section 393.320.9, SS#2 SB4, First Regular Session of the 103<sup>rd</sup> General Assembly*

If there are any questions regarding the content of this order of rulemaking, please contact:

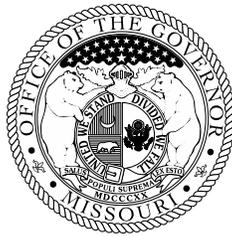
Nancy Dippell, Secretary  
Missouri Public Service Commission  
200 Madison Street  
P.O. Box 360  
Jefferson City, MO 65102  
(573) 751-8518  
[Nancy.Dippell@psc.mo.gov](mailto:Nancy.Dippell@psc.mo.gov)



A handwritten signature in black ink that reads "Nancy Dippell". The signature is written in a cursive style with a large, flowing "N" and "D".

Nancy Dippell  
Secretary to the Commission

STATE CAPITOL  
201 W. CAPITOL AVENUE, ROOM 216  
JEFFERSON CITY, MISSOURI 65101



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*Mike Kehoe*

GOVERNOR  
STATE OF MISSOURI

March 2, 2026

Kayla Hahn, Chair  
Missouri Public Service Commission  
P O Box 360  
Jefferson City MO 65102

Dear Ms. Hahn:

Our office has received the Final Order of rulemaking for the following regulation:

- **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

Executive Order 25-13 requires this office's approval before state agencies release proposed regulations for notice and comment, amend existing regulations, or adopt new regulations. After our review, we approve submission of the rule and the regulatory impact report (if required) to JCAR and the Secretary of State.

Sincerely,

A handwritten signature in blue ink that reads "Lowell Pearson".

Lowell Pearson  
General Counsel

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

**ORDER OF RULEMAKING**

By the authority vested in the Public Service Commission under section 386.250, RSMo 2016, and section 393.320, RSMo Supp. 2025, the commission adopts a rule as follows:

20 CSR 4240-10.195 is adopted.

A notice of proposed rulemaking containing the text of the proposed rule was published in the *Missouri Register* on December 1, 2025 (50 MoReg 1765-1767). The sections with changes are reprinted here. This proposed rule becomes effective thirty (30) days after publication in the *Code of State Regulations*.

**SUMMARY OF COMMENTS:** The public comment period ended December 31, 2025, and the commission held a public hearing on the proposed rule on January 7, 2026, and held the hearing record open for the submission of additional comments until January 8, 2026. The commission received timely written comments from three (3) people representing three (3) entities during the comment period and three (3) people representing three (3) entities provided comments at the hearing. The comments were generally in support of the proposed rule with several suggested changes.

**COMMENT #1:** Scott Stacey, Deputy Counsel of Staff Counsel’s Office, on behalf of the Missouri Public Service Commission Staff (staff) commented in support of the rule. Mr. Stacey referred to staff’s written comments which included responses on December 30, 2025, January 7, 2026, and January 8, 2026. Present with Mr. Stacey was Curtis Gateley and Michael Abbott of staff. Staff stated it was in support of the proposed rule and it was either opposed or not opposed to various comments as stated in staff’s filed responses. Staff’s positions will be addressed under each commentor’s comments listed below.

**RESPONSE AND EXPLANATION OF CHANGES:** The commission thanks its staff for its work on this proposed rule. The commission agrees with staff’s comments and will accept some of the changes suggested by the Office of the Public Counsel (OPC) and Missouri-American Water Company (MAWC) as indicated more specifically in the responses to comments below.

**COMMENT #2:** Lindsay VanGerpen, Senior Counsel, on behalf of OPC, submitted written comments and provided comments as part of the hearing record. During the hearing, OPC indicated it had thirteen (13) proposed modifications to the proposed rule and suggested nine (9) further modifications to the proposed rule based on comments from staff and MAWC. OPC’s thirteen (13) suggested modifications to the proposed rule included: adding a new section (1) establishing a process for the commission to appoint an appraiser; adding a reference to engineering reports or evaluations in section (1) as published; clarifying subsection (1)(A) regarding appraiser or consulting engineer independence requirements; amending when information that is not publicly available, but is relied on must be provided in subsection (1)(E) as published; moving paragraph (2)(M)4. to become a subsection under section (1); adding a

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**By JCAR at 1:01 pm, Mar 05, 2026**

provision requiring that an application include a statement concerning the receipt of a corrected appraisal report in section (2) as published; clarifying who determines whether upgrades or new construction is necessary in subsection (2)(L) as published; clarifying the requirement to include the appraisal with the application and add a requirement regarding the appraiser's possible non-participation in subsection (2)(M) as published; adding language recognizing that the commission may also have appointed an appraiser and utilizing the defined terms from the appraisal statute in paragraph (2)(M)1. As published; striking paragraph (2)(M)2.; moving paragraph (2)(M)4. as published to a new subsection in section (2) as published; clarifying that the appraisal must be completed in accordance with Missouri law and the most recent version of the Uniform Standard of Professional Appraisal Practice (USPAP) and that a fair market value determination does not determine whether the acquisition is in the public interest in paragraph (2)(M)5. as published; and reducing the amount of time for staff to complete its review if the appraised value of the acquisition is less than \$5,000,000 and shortening the data request response time in such a circumstance to allow time for the commission to resolve a contested case in section (3) as published.

RESPONSE AND EXPLANATION OF CHANGES: The commission thanks OPC for its comments and participation in the hearing. With modifications, the commission will accept some of OPC's suggested rule changes that were presented in its written comments and at the hearing. Several of OPC's written comments presented at hearing include edits suggested by other stakeholders, as well. The accepted changes will be addressed more fully below.

COMMENT #3: Jennifer Coleman, Counsel, on behalf of MAWC, submitted written comments and provided comments at the hearing. In its written comments and at the hearing, MAWC presented seven (7) proposed modifications to the rule as published along with additional comments regarding OPC's proposed modifications. MAWC submitted follow-up comments after the hearing that were incorporated into the hearing record and will be addressed further below. MAWC's seven (7) suggested modifications to the proposed rule include: 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; clarifying subsection (1)(A) to indicate 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; encouraging the commission to specify or clarify the terms "detailed and/or itemized information" it seeks for the supporting rationale under subsection (1)(D); relocating subsection (2)(M) as subsection (1)(F), as it is directly applicable to the appraisal to be conducted; adopting a process requiring the commission to notify large water utilities when it intends to appoint an appraiser; modifying section (2) to remove "shall" and add "if available;" and modifying subsection (2)(K) to replace "shall" with "may." Staff responded to these comments as part of the hearing record.

RESPONSE AND EXPLANATION OF CHANGES: The commission thanks MAWC for its comments and participation in the hearing. The commission will accept some of MAWC's suggested rule changes that were presented in its written comments and at the hearing. Several of MAWC's written comments presented at hearing include edits suggested by other stakeholders, as well. The accepted changes will be addressed more fully below. The commission will also make any renumbering or organizational changes needed in relation to these changes.

COMMENT #4: OPC proposed adding a new section (1) establishing a process for the commission to appoint an appraiser. At the hearing, OPC included a further modification as suggested by MAWC. Staff commented that the rule remains silent in order to provide flexibility to the commission. Staff further commented that it was opposed to this additional requirement as there is nothing preventing a large water utility from filing a notice with the commission regarding a potential appraisal and potential subsequent acquisition of a small water utility. It is important to recognize that not all appraisals conducted by large water utilities result in acquisitions; the large water utility may ultimately decide not to pursue the acquisition for its own reasons. Therefore, requiring the commission to make a determination prior to the utility seeking an acquisition is premature, as there is no assurance that the acquisition will occur. RESPONSE: The commission agrees with staff's comments in regard to OPC's proposed change and will not change or modify this portion of the rule. No changes were made as a result of these comments.

COMMENT #5: OPC proposed adding a reference to engineering reports or evaluations in published section (1). Staff commented that it is not opposed to this modification as the rule as published references an appraiser or consulting engineer under subsection (1)(A). RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will modify the language in section (1) to add engineering reports or evaluations. No other changes were made as a result of these comments.

COMMENT #6: OPC proposed clarifying subsection (1)(A) regarding appraiser or consulting engineer independence requirements. OPC recommended inserting the phrases "associated with" and "including, but not limited to, being a creditor, equity security holder, or a shareholder," for clarification. Staff commented that it was not opposed to OPC's language modifications to subsection (1)(A). RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will modify the language in subsection (1)(A) as suggested. No other changes were made as a result of these comments.

COMMENT #7: OPC proposed amending subsection (1)(E) as published regarding when information that is not publicly available but is relied on must be provided. Staff commented that it was not opposed to the modification. RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will modify the language in subsection (1)(E) as suggested. No other changes were made as a result of these comments.

COMMENT #8: OPC proposed making section (4) as published a new subsection under section (1) as published with some modifications. Staff commented that it was not opposed to moving section (4) as published to new subsection (1)(F) and to the language modification as long as the rule requires that all documents, evaluations, or reports prepared by, or under the direct supervision of, a registered professional engineer be signed, sealed, and dated by a professional engineer licensed in the state of Missouri. In comments submitted into the hearing record, OPC suggested rewording new subsection (1)(F) to address staff's concerns. Staff was satisfied with these changes.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will modify the language in section (4) as suggested by OPC and modified by staff. The commission will also move modified section (4) to new subsection (1)(F) and renumber the remaining sections accordingly. No other changes were made as a result of these comments.

COMMENT #9: OPC proposed adding a provision requiring that an application include a statement concerning the receipt of a corrected appraisal report (a new provision in section (2) as published). Staff commented that it was not opposed to the modification as long as it is within section (2) and not within a new section (3).

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will add the language in a new subsection (2)(C) as suggested by OPC and modified by staff. The commission will also renumber the remaining subsections in section (2). No other changes were made as a result of these comments.

COMMENT #10: OPC proposed clarifying who determines whether upgrades or new construction is necessary in subsection (2)(L) as published. Staff commented that it does not agree with this modification to the draft standard. As noted, the proposed rule at paragraph (2)(L)2. as published requires the large utility to provide a description of why the upgrade or new construction is necessary. Additionally, the rule, as drafted, does not remove the commission from making determinations regarding whether upgrades and/or new construction will be included.

RESPONSE: The commission agrees with staff that no modifications are needed. No changes were made as a result of this comment.

COMMENT #11: OPC proposed clarifying the requirement to include the appraisal with the application and proposed adding a requirement regarding an appraiser's possible non-participation in subsection (2)(M) as published. Staff commented that it was not opposed to these modifications.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will add the language in renumbered subsection (2)(N) as suggested by OPC and modified by staff. No other changes were made as a result of these comments.

COMMENT #12: OPC proposed adding language recognizing that the commission may also have appointed an appraiser and utilizing the defined terms from the appraisal statute in paragraph (2)(M)1. as published. Staff commented that it was not opposed to the modification of adding the term "water" to clarify the provision applies to large water public utilities and small water utilities as proposed by OPC; however, staff is opposed to OPC's addition regarding the commission determination to appoint an appraiser. Staff recommended the rule remain silent regarding the potential appraiser appointed by the commission to provide flexibility to the commission.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC and staff regarding adding water to renumbered paragraph (2)(N)1. The commission agrees with staff's position regarding the additional language offered by OPC and will not accept such change. No other changes were made as a result of these comments.

COMMENT #13: OPC proposed striking paragraph (2)(M)2. Staff commented that it was not opposed to the modification.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will remove paragraph (2)(M)2. as published and renumber the remaining paragraphs as needed. No other changes were made as a result of this comment.

COMMENT #14: OPC proposed moving paragraph (2)(M)4. as published to new subsection (2)(O). Staff commented that it was not opposed to the modification.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's and staff's comments and will move paragraph (2)(M)4. as published to new subsection (2)(O) and renumber the remaining paragraph in that subsection. No other changes were made as a result of these comments.

COMMENT #15: OPC proposed clarifying paragraph (2)(M)5. that the appraisal must be completed in accordance with Missouri law and the most recent version of the USPAP and that a fair market value determination does not determine whether the acquisition is in the public interest. Staff commented that if the USPAP is included in the regulation, the regulation would have to include a specific version and date of the USPAP, and all appraisers would be required to use that version regardless of future reforms and developments so long as this regulation remained in effect and was not amended. Staff suggested the USPAP language remain in statute and not within the regulation. OPC later commented that it withdraws its request to add the USPAP to the rule. Staff also disagreed with OPC that the deleted language transfers responsibility, as it remains the applicant's responsibility to prove its case, including providing evidence that the acquisition is in the public interest. However, staff did not oppose deleting this language to eliminate any concern. Staff is opposed to OPC's suggested additional language.

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with staff's comments and will not add the additional language proposed by OPC. The commission will also strike "showing that the acquisition is in the public interest, which" from the rule in renumbered paragraph (2)(N)3. No other changes were made as a result of these comments.

COMMENT #16: In written comments during the comment period and as part of the hearing record, OPC proposed reducing the amount of time for staff to complete its review if the appraised value of the acquisition is less than \$5,000,000 and shorten the data request response time in such a circumstance, to allow time for the commission to resolve a contested case in section (3) as published. Staff commented that it is opposed to this modification. Staff instead recommend deletion of section (4) to provide flexibility to the commission. Or in the alternative, keep the staff recommendation at one hundred twenty (120) days and remove the thirty- (30-) day extension. Staff did not oppose the addition of subsection (4)(A).

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with OPC's addition of subsection (4)(A) but disagrees with OPC's modification of the time frame. The commission will remove the thirty- (30-) day extension language as proposed by staff. No other changes were made as a result of these comments.

COMMENT #17: During the hearing, OPC indicated it had nine (9) further modifications to the proposed rule based on comments from staff and MAWC. OPC's nine (9) additional modifications to the proposed rule include: establishing a process for the commission to appoint

an appraiser, with modification suggested by MAWC (new section (1); including a definition of “creditor” and including a provision about the ownership of shares through certain investment vehicles in response to MAWC’s proposals in subsection (1)(A) as published; rewording proposed subsection (1)(F), which was moved from subsection (2)(M) as published; moving the provisions of subsection (2)(M) as published to subsection (2)(G); opposing MAWC’s suggested revision to section (2) as published that would require the applicant to only file information “if available;” opposing MAWC’s suggested revision to subsection (2)(K) as published that would no longer require the engineering evaluation to include certain information, but only that it “may” do so; clarifying who determines whether upgrades or new construction is necessary in subsection (2)(L) as published; striking language “for the small water utility” in subsection (2)(O); and maintaining the OPC proposal regarding staff’s recommendation in cases where the appraised value is \$5,000,000 or less in section (3) as published.

RESPONSE AND EXPLANATION OF CHANGES: The commission will accept some of OPC’s suggested rule changes that were presented in its written comments and at the hearing. Several of OPC’s written comments presented at hearing include edits suggested by other stakeholders, as well. The accepted changes will be addressed more fully below but will also include the renumbering and reorganization of provisions as needed.

COMMENT #18: OPC responded to MAWC’s proposals to include a definition of “creditor” and to include a provision about the ownership of shares through certain investment vehicles in subsection (1)(A) as published. Staff recommended rejecting this addition as unnecessary. Staff commented that it is unaware of a case before the commission where defining a creditor has been raised or been a contested issue. Because such a definition would be applicable to most cases before the commission, if a definition becomes necessary staff suggests it appear in statute. Staff does not agree with MAWC’s proposal because the term “disinterested person” is established in section 393.320.3.(1), RSMo. Efforts to redefine this term would be best accomplished through a statutory change. Staff commented that it agreed with OPC’s change in Comment #6 above, but not to the additional changes as set out in this comment.

RESPONSE: The commission agrees with staff and will not modify the language any further than suggested in Comment #6 above. No other changes were made as a result of these comments.

COMMENT #19: MAWC proposed relocating subsection (2)(M) to subsection (1)(F), as it is directly applicable to the appraisal to be conducted. OPC also suggested it does not generally oppose MAWC’s request to move provisions of subsection (2)(M) to a new subsection; however, OPC suggested the requirement to include the appraisal and the requirement that the application identify whether one appraiser did not participate in the appraisal remain as section (3). OPC also suggested a slight revision to the leading sentence of subsection (2)(G) for clarity. OPC further suggested subparagraph (2)(G)3.C. remain a separate provision. As previously stated, staff commented that it was not opposed to the modification moving subsection (2)(M) to subsection (1)(F). Staff commented that it disagreed with moving subsection (2)(G), due to its opposition to creating a new section (1).

RESPONSE AND EXPLANATION OF CHANGE: The commission agrees with staff’s recommendations and will move the language to new subsection (1)(F) as previously stated above. No other changes, other than renumbering and organizational changes, were made as a result of these comments.

COMMENT #20: MAWC proposed section (2) of the proposed rule be modified to remove “shall” and add “if available.” OPC opposed MAWC’s suggested revision to section (2) as published that would require the applicant to only file information “if available.” Staff is opposed to MAWC’s proposed modification to section (2) of this rule. Staff commented that the draft rule’s proposed minimum standards are based on staff’s experience with managing and processing acquisition and appraisal cases. Additionally, MAWC’s proposal is unnecessary given section (6) as published establishes that the commission may grant a variance from specific portions of this rule for good cause.

RESPONSE: The commission agrees with staff that the proposed modification by MAWC should not be accepted. No changes were made as a result of these comments.

COMMENT #21: OPC opposes MAWC’s suggested revision to subsection (2)(K) that would no longer require the engineering evaluation to include certain information, but only that it may do so. Staff commented that it is opposed to MAWC’s proposed modification to section (2) of this rule. Staff stated that the draft rule’s proposed minimum standards are based on staff’s experience with managing and processing acquisition and appraisal cases. Additionally, MAWC’s proposal is unnecessary given section (6) establishes that the commission may grant a variance from specific portions of this rule for good cause.

RESPONSE: The commission agrees that the proposed modification by MAWC should not be accepted. No changes were made as a result of these comments.

COMMENT #22: OPC proposed striking the language “for the small water utility” in new subsection (2)(O). Staff commented that it opposed the modification.

RESPONSE: The commission agrees with staff that no modifications are needed. No changes were made as a result of this comment.

COMMENT #23: MAWC proposed 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. Staff recommended rejecting this addition as unnecessary. Staff commented that it is unaware of a case before the commission where defining a creditor has been raised or been a contested issue. Staff also commented that because such a definition would be applicable to most cases before the commission, if a definition becomes necessary staff suggests it appears in statute.

RESPONSE: The commission agrees with staff that no modifications are needed. No changes were made as a result of this comment.

COMMENT #24: MAWC strongly urged the commission to adopt a process requiring the commission to notify large water utilities when the commission 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 would take place prior to the execution of an agreement or prior to the matter becoming public. MAWC proposed language for this process to be incorporated under subsection (1)(G). MAWC also recommended the commission submit this notification to a utility no later than thirty (30) days after the utility submits a confidential letter of notice to the commission’s general counsel’s office. Staff recommended the rule remain silent in order to provide flexibility to the commission. Staff opposed the additional requirement

as there is nothing preventing a large water utility from filing a notice with the commission regarding a potential appraisal and potentially subsequent acquisition of a small water utility. Staff commented that it is important to recognize not all appraisals conducted by large water utilities result in acquisitions as the large water utility may ultimately decide not to pursue the acquisition for its own reasons. Therefore, requiring the commission to make a determination prior to the utility seeking an acquisition is premature.

RESPONSE: The commission agrees with staff that no modifications are needed. No changes were made as a result of this comment.

COMMENT #25: MAWC proposed subsection (2)(K) be modified to replace “shall” with “may.” Staff stated its opposition to this proposed modification. Staff state that the proposed minimum standards in the draft rule are based on staff’s experience with managing and processing acquisition and appraisal cases. Additionally, staff stated that MAWC’s proposal is unnecessary given section (6) as proposed establishes that the commission may grant a variance from specific portions of this rule for good cause.

RESPONSE: The commission agrees with staff that no modifications are needed. No change was made as a result of this comment.

COMMENT #26: MAWC submitted additional written comments as part of the hearing record, including that MAWC believes it is essential for the commission to establish a clear process for appointing an appraiser, and for the commission to make it known that it has chosen to not appoint its own appraiser. MAWC supported OPC’s proposed language regarding the commission’s appointment of an appraiser with minor edits and the addition of a sentence requiring the commission appointment to be completed within seventy-five (75) days after receipt of the large water public utility’s notice. Staff commented in response that it recommended the rule remain silent in order to provide flexibility to the commission and because the acquisition may not ultimately take place making the appraiser selection premature. Staff further commented that it was opposed to this additional requirement as there is no prohibition preventing a large water utility from filing a notice with the commission regarding a potential appraisal and subsequent acquisition of a small water utility.

RESPONSE: The commission agrees with staff’s comments in regard to OPC’s and MAWC’s proposed changes and will not change or modify this portion of the rule. No changes were made as a result of these comments.

COMMENT #27: MAWC submitted additional comments as part of the hearing record. MAWC proposed language to clarify the eligibility of appraisers participating in this process. MAWC proposed clarifications regarding the meaning of “creditor” and “shareholder.” MAWC indicated that the rule without these definitions is too vague and too broad, that it will, in effect, restrict the number of appraisers available, and it may eliminate all appraisers from eligibility. MAWC opposed OPC’s addition of “associated with” to subsection (1)(A), stating that it believed this addition would further cloud the eligibility of potential appraisers and should not be added to the rule. MAWC stated that without definition, the terms would be subject to a wide range of possible disqualifications, from the obvious (officers, directors and employees of one of the utilities) to the less obvious (a person previously hired for an appraisal by one of the utilities). MAWC agreed with OPC’s proposal to include in subsection (1)(A) a reference to the USPAP which includes an ethics rule allowing the appraisal community to police that industry and not

place additional undefined conditions on the employment of appraisers. Staff stated that it does not oppose adding “associated with” as suggested by OPC and discussed previously above but is opposed to MAWC’s suggested changes.

RESPONSE: The commission agrees with staff and disagrees with the proposed changes as suggested by MAWC. Therefore, no changes were made as a result of these comments.

## **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**

(1) Appraisals/Engineering Reports or Evaluations.

(A) An appraiser or consulting engineer appointed for the purposes of this rule shall not be associated with a creditor, equity security holder, or a shareholder of the utilities subject to the acquisition, including, but not limited to being a creditor, equity security holder, or a shareholder, and shall not have any material interest in either utility, or other large water or sewer public utilities.

(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 with the appraisal.

(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 a professional engineer licensed in the state of Missouri.

(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—

(A) A general description of the acquisition;

(B) The date the appraisal was received;

(C) A statement as to whether any corrected reports were received, as provided for in section 393.320.3(2)(b), RSMo, including the date the corrected report was received and a description of any and all changes made in the corrected report;

(D) The number of current customer connections of the large water public utility;

(E) The utility type and number of current customer connections of the small water or sewer utility;

(F) A request to utilize the procedures in this rule and section 393.320, RSMo;

(G) If an effective purchase agreement has been executed, a statement stating such with a complete copy of the agreement attached;

(H) 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;

(I) 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;

(J) An explanation of how the acquisition is considered to be in the public interest;

(K) 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;

(L) An engineering evaluation of the proposed small utility to be acquired which includes, but is not 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, in compliance with section (3) of this rule, 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;

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;

(M) If upgrades or new construction is necessary, an engineering report which 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; and

(N) The appraisal relied on in determining the fair market value of the small water utility. If one of the appraisers did not join the final appraisal, as provided in section 393.320.3(3), RSMo, a statement indicating such and providing a reason why shall also be included. The 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 water public utility and small water utility;

2. 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; and

3. A fair market value determination 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.

(O) The requested purchase price as it relates to the appraisal amount that the large public utility proposes to use as the ratemaking rate base for the small water utility;

(3) Information and due-diligence determinations shall include—

(A) 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;

(B) Facility description, including the customer capacity for which the system(s) was designed;

(C) Age of the facility;

(D) Description of the distribution or collection system or both;

(E) Age of the distribution or collection system or both;

(F) Material make-up of the system;

(G) Design-life of the system;

(H) Description of back-up power;

(I) Type of operational controls;

(J) Length of sewer collection system or water distribution system or both; and

(K) Quantity and types of valves, meters, sensors, pumps, and useful life remaining for each.

(4) 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.

(A) To facilitate this expedited timeline, the deadline to respond to data requests shall be shortened from that identified in 20 CSR 4240-2.090(2)(C), to ten (10) calendar days, with five (5) calendar days to object or notify the requesting party that additional time is needed to respond to the data requests.

(5) 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.