

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. SA-2026-0125
Confluence Rivers Utility Operating Company, Inc.

FROM: Kelli Malki – Financial Analysis Department
Charles Tyrone Thomason – Customer Experience Department
Lindsey Smith – Auditing
Adam Stamp – Water, Sewer, Gas & Steam Department
Melissa J. Reynolds – Water, Sewer, Gas & Steam Department

/s/ Melissa J. Reynolds 3/6/2026
Case Manager Date

SUBJECT: Staff Recommendation for Approval of Certificate of Convenience and Necessity

DATE: March 6, 2026

CASE BACKGROUND

On November 11, 2025, Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”) filed an *Application and Motion for Waiver* (“Application”) with the Commission requesting that the Commission approve its Certificate of Convenience and Necessity (“CCN”) and acquisition of the sewer system assets of the currently unregulated system of Swan Lake Estates, LLC (“Swan Lake”). Confluence Rivers seeks a CCN to operate the system and provide service to the public. Confluence Rivers also requested waiver of the Commission’s 60-day notice of case filing requirement.

On November 12, 2025, the Commission issued its *Order Directing Notice, Setting Deadline for Intervention Requests* establishing that any application to intervene be filed no later than December 1, 2025, and setting a deadline of December 19, 2025, for Staff to either file a Recommendation or an alternative pleading (i.e., status report).

On November 25, 2025, Confluence Rivers filed a *Notice of Mailing* to inform the Commission that a notice in the form of a letter was mailed to each of the customers of which it has record as of November 21, 2025, pursuant to Commission Rule 20 CSR 4240-50.060(2) requiring notice within 20 days of filing an Application to all potential customers within the requested service area.

On December 18, 2025, Staff filed a *Motion for Extension of Time to File Staff Recommendation*, detailing Staff would file its Recommendation in 30 days.

** Denotes Confidential Information **

On December 19, 2025, the Commission issued its *Order Granting Extension for Staff Recommendation* directing Staff to submit its recommendation no later than January 20, 2026.

On January 16, 2026, Confluence Rivers filed a *Notice Concerning Supplement to Application*. In response, Staff then filed a *Motion for Extension of Time to File Staff Recommendation* on January 20, 2026.

On January 20, 2026, the Commission issued its *Order Granting Extension for Staff Recommendation* directing Staff to submit its recommendation no later than March 6, 2026.

On January 29, 2026, Confluence Rivers filed a *Motion for Leave to Supplement Application*. No responses were filed during the Commission's ordered time, and the Commission issued its *Order Granting Filing of Supplemental Application* on February 17, 2026.

No applications to intervene have been filed in this case.

Background of Confluence Rivers Utility Operating Company, Inc.

Confluence Rivers is a Missouri corporation with its principal office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131. Confluence Rivers is a regulated water and sewer utility currently providing service in Missouri. Confluence Rivers is a subsidiary of Central States Water Resources ("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 6,400 connections and sewer service to approximately 6,500 connections in several Missouri counties.

On October 31, 2023, CSWR entered into an *Agreement for Sale of Utility System* ("Agreement") with Swan Lake.

On October 23, 2025, CSWR entered into an *Agreement for Sale of Utility System* ("Agreement") with Midwest Management and Holdings, LLC for acquisition of a portion of the assets of the Bates City Mobile Home Park sewer system.

Background of Swan Lakes Estates, LLC

Swan Lake owns a sewer system serving two mobile home parks in Lafayette County, Missouri, namely Swan Lake Estates and Bates City Mobile Home Park ("Bates"). Swan Lake Estates has approximately 70 connections, and Bates City Mobile Home Park has approximately 88 equivalent connections consisting of approximately 23 RV trailers, 21 mobile homes, 28 apartments, and room for approximately 10-15 additional mobile homes, if fully developed, that are serviced as a wholesale customer. There is no other sewer service available in the area served by Swan Lake.

STAFF’S INVESTIGATION

Staff from the Water, Sewer, Gas and Steam Department investigated the Swan Lake wastewater treatment system’s condition, including its performance and compliance with environmental regulations. Staff also reviewed records and correspondence from the Missouri Department of Natural Resources (“DNR”).

Description of the Sewer System

The wastewater system is gravity fed, except for a single lift station servicing the Bates City Mobile Home Park which conveys wastewater to the Swan Lake collection system. The mechanical treatment facility consists of a concrete aeration basin with a surface aerator, clarification basin, contact basin, and a sludge holding basin. The facility discharges its effluent into a tributary to East Fork Sin-a-bar Creek. The facility is regulated by the Missouri DNR under National Pollutant Discharge Elimination System (“NPDES”) permit MO-0056928 issued on July 1, 2019.

According to Swan Lake’s NPDES permit, the system is rated for a design flow of 60,000 gallons per day (gpd). Swan Lake reported plant flow of 13,212 gpd in 2022 but only reported an average flow of approximately 4,100 in 2025.¹ The largest customer for the Swan Lake treatment plant is Bates City Mobile Home Park, which is adjacent to the Swan Lake wastewater collection system. The connection via a lift station to the Bates City Mobile Home Park and service connection numbers resulting from this addition has in the past contributed an average daily flow estimated at approximately 12,950 to 18,250 gpd.² This discrepancy between reported effluent volume and Bates’ occupancy will need to be investigated by Confluence Rivers, but could be due to human error, a faulty flow monitoring weir, leaks in the sewer, or leaks from the plant. Effluent monitoring data shows Swan Lake violated permit limits 51 times in the last three years for Ammonia, pH, Suspended Solids, and Biochemical Oxygen Demand.³ It is not known if the violations are due to the under-loading, or due to age and disrepair.

Staff’s Inspection of the Sewer System

Staff performed an inspection of the Swan Lake sewer system on December 3, 2025. Staff observed the neighborhood, the terrain throughout the collection system, the customers’ homes, and the treatment plant, and spoke with the current operator. The operator stated that the plant may be underloaded due to Swan Lake Estates currently having significantly less occupancy than it was designed for originally. Therefore, the patrons of the Bates City Mobile Home Park are significant in supplying a system which would otherwise be underloaded. Mechanical plants like the one at Swan Lake are susceptible to this situation, as there needs to be a minimum amount of influent material for the biological treatment process of the plant to take place or food sources,

1 DNR’s ‘DMR History’ database

2 DNR Fact Sheet associated with the Swan Lake NPDES permit

3 DNR’s ‘DMR History’ database

such as pelletized dog food or rabbit food, must be added to keep necessary bacteria for treatment alive.

PSC Staff found the lift station at Bates City Mobile Home Park to be in poor condition and visibly prone to failure. Ideally, an adequate structure would contain materials like concrete, steel, and plastic so that critical machinery inside is not susceptible to environmental elements. Parts of this lift station are composed of poorly constructed plywood that is already beyond its useful life. Associated equipment like control panels and power supply are not secured in a proper manner. Furthermore, some of the wastewater lines that connect to the lift station are above the ground and subject to freezing temperatures. In the engineering report and the associated case application, there is little mention of this lift station, or that it belongs to a party other than Swan Lake. Staff requested information from Confluence Rivers about the details of this critical piece of equipment and any other relevant discussions between the Company and Bates. In the Company's response on December 31, 2025, it indicated that it had entered into a purchase agreement with Bates. In Confluence Rivers' supplement to the original acquisition application, additional information about Bates' assets and a potential wholesale rate was included. As stated above, Bates customers will be vital to keep the existing treatment plant operating properly. Staff also spoke with the owner of Bates and was told that the park is nearly at capacity, with small additions planned in the future.

Overall, Staff agrees with the engineer's assessment of the treatment plant condition. The primary structure and associated equipment are in poor condition, as described in further detail below. It will likely take a significant amount of investment to reach effluent compliance.

Proposed Improvements/Capital Investments

It is standard practice for Confluence Rivers to install remote monitoring and effluent flow measurement on its facilities, and Staff recognizes remote monitoring as a worthy investment since smaller plants spread across a wide geographic area cannot be constantly supervised. Remote monitoring of some operational parameters can inform operators of when additional targeted intervention is needed. It should be noted that none of Confluence Rivers' facilities have remote operational controls, which drastically reduces the opportunity for hacking and potential impacts of such an attempt.

The fence is in disrepair, and brush is encroaching on the facility. It is possible that the fence can be rehabilitated rather than a total replacement. The main concrete structure is showing signs of its age and will need to be rehabilitated before small leaks progress into larger issues. Access to the top of the plant is also very important for operators, and the current degraded bridge and railing that should allow such access is a safety concern. There is no proper building to protect mechanical equipment associated with the treatment facility from weather, animals, or vandalism. The blowers and plant controls rest inside of a dilapidated structure with little ability to protect the machinery that is critical for proper plant operation.

As stated in Confluence Rivers' Engineering Report by Garver,⁴ they have identified the following proposed capital investments to the Swan Lake treatment system with estimates of cost.

⁴ Confluence Rivers' Application Appendix C-C "Confidential"

Initial Improvements:

- Install Remote Monitoring Unit (High Tide)
- Install new digital flow measurement unit on weir plate
- Fence rehabilitation: repair exterior safety fence
- Repair mechanical mixer mounts

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

Secondary Improvements

- Rehabilitation of concrete structures⁵
- Aeration overhaul
- New blower building
- New access bridge

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

The total estimated cost⁶ for improvements is ** [REDACTED] **.

As stated in Confluence Rivers' Engineering Memorandum⁷ concerning the Bates facilities, it has identified proposed capital investments with estimates of cost. Staff recommends that the lines associated with the lift station be moved underground to prevent exposure to freezing temperatures. Furthermore, the degradable components of the lift station structure need to be replaced with more durable materials.

Initial Improvements:

- Install new 3'-0" package pumping system
- Install new magnetic flow meter and vault

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

Secondary Improvements

- Install new manual transfer switch with a quick connect
- Install remote monitoring
- Install new chain link fence
- Access road improvements
- Site clearing
- Electrical improvements

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

The total estimated cost for improvements to Bates is ** [REDACTED] **.

The total estimated cost for all improvements related to this CCN is ** [REDACTED] **.

⁵ Garver's Engineering Report assumes bypass pumping and hauling sludge during entire rehab process
⁶ Does not include estimated costs for improvements to the Bates City Mobile Home Park portion.
⁷ Appendix Supp B-C "Confidential"

Service Area

Confluence Rivers provided a service area map and legal description with the application. It contains all parts of the proposed Swan Lake collection system and treatment facility. It also includes the boundaries of Bates City Mobile Home Park. Staff has reviewed the documents and determined that they are sufficient. If the Commission approves the CCN Application, then Staff would recommend acceptance of the service area.

RATE BASE

The Auditing Department Staff reviewed information provided by Confluence Rivers in response to Staff's Data Requests and the information in Confluence Rivers' *Application*, which 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 or not 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. Based on the lack of the original cost documentation, Staff recommends accounting for the Swan Lake sewer and the Bates City Mobile Home Park sewer as fully contributed plant (no rate base value).

FINANCIAL ANALYSIS

Staff evaluated whether Confluence Rivers has the financial capability to acquire the unregulated sewer system assets of Swan Lake, 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] **. ⁸ Confluence Rivers has stated that it possesses "the financial strength and resources necessary to make expenditures and investments required to maintain the systems."⁹

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.¹⁰ Borrowed funds are classified by Confluence Rivers as "Payable to Associated Companies" on its balance sheet.¹¹ 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

8 Appendix A-C and F-C, The Application & Appendix Supp A-C, The Supplemental Application. Two different purchase agreements were filed, each for ** [REDACTED] ** yielding the ** [REDACTED] ** total shown.

9 Paragraph 18, The Application.

10 Confluence Rivers' response to Data Request No. 0001.

11 Confluence Rivers' response to Data Request No. 0007.3 as a part of case WF-2023-0023.

considers “Payable to Associated Companies” as the equity portion of its capital when calculating its debt-to-capital ratios.¹²

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.¹³ 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.¹⁴

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 Rivers’ leveraged profile.

Although neither Confluence Rivers nor CSWR are publicly traded, a review of their financial ratios shows the following:¹⁵

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

12 Ibid.

13 Confluence Rivers’ response to Data Request No. 0005 as a part of case WA-2026-0054.

14 Ibid.

15 Confluence Rivers’ response to Data Requests No. 0001, No. 0002, and Malki’s Workpaper.

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

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 decrease 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. The financial statements additionally show a modest decrease in Confluence Rivers’ and CSWR’s Debt-to-Capital ratios.

Leverage metrics at these levels are commonly viewed in credit analysis as indicative of a constrained financial profile, particularly when accompanied by negative operating cash flow.¹⁶ Such a profile may be more sensitive to changes in capital market conditions and borrowing costs than that of a utility generating positive internal cash flow.¹⁷

Because both Confluence Rivers and its parent report negative Funds From Operations (“FFO”), their FFO-to-Debt ratios are negative.¹⁸ A negative FFO-to-Debt ratio is atypical, as this metric is generally positive.¹⁹ The ratio being negative indicates that internally generated cash flow is insufficient to cover existing debt obligations and that the companies are not presently generating operating cash to deleverage. In such circumstances, ongoing operations and capital investment must be supported by external financing, capital contributions, or incremental borrowing.

Persistent negative FFO reduces financial flexibility and increases reliance on parent-level support and access to capital markets.²⁰ While this condition does not, by itself, prevent the proposed

16 S&P Global, “Methodology: Business Risk/Financial Risk Matrix Expanded”, Published September 18, 2012: <https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/7549527>

17 S&P Global, “Guide to Credit Rating Essentials”, Published 2024: file:///C:/Users/malkik/Downloads/guide-to-credit-rating-essentials_2024.pdf

18 Ibid.

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

20 S&P Global, “General: Corporate Methodology: Ratios And Adjustments”, Published December 17, 2025: <https://spratings.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/10906146>

acquisition, it heightens the importance of stable parent financing and increases exposure to potential rate impacts should external funding costs rise or capital access tighten.

For the period 2024–2029, Confluence Rivers projected total capital expenditures for the period of approximately ** [REDACTED] **, which averages roughly ** [REDACTED] **, per year.²¹ CSWR showed an average annual capital expenditure for the period of 2023-2027 of ** [REDACTED] **. ²² The total purchase price of the merger represents less than 0.1% of Confluence Rivers’ and CSWR’s projected average annual capital expenditures.²³ Similarly, the total estimated project cost is less than 7% of Confluence Rivers’ projected average annual capital expenditures and less than 1% of CSWR’s average annual capital expenditures.

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.²⁴

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.²⁵ 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.²⁶

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 19 CCN and acquisition and merger (“M&A”) cases, seven of which involved joint sewer and water systems.²⁷

21 Confluence’s response to Data Request No. 0004 as a part of Case No. WA-2026-0054, and Malki’s workpaper.

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

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

24 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.

25 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>

26 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

27 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, SA-2026-0054, & SA-2026-0125.

The total purchase cost for all 19 of Confluence Rivers' most recent CCN and M&A cases is approximately ** [REDACTED] **,²⁸ which is roughly 25% Confluence Rivers' total annual projected capital expenditures for the period 2024–2029, but less than 10% of CSWR's average annual projected capital expenditures from 2023-2027. The total estimated project cost of Confluence Rivers' 19 CCN and Merger cases filed between fiscal years 2023–2026, including this case, is approximately ** [REDACTED] **. ²⁹ This amount is less than 68% of Confluence Rivers' annual projected capital expenditures and represents only about 26% of CSWR's average annual projected capital expenditures.

Although each individual transaction represents a relatively small percentage of projected annual capital expenditures, the cumulative effect of 19 CCN and acquisition filings within a four-year period reflects an elevated level of acquisition-driven growth. The aggregate purchase and project costs represent a material portion of Confluence Rivers' annual capital program and, when layered onto existing negative operating cash flow, increase dependence on external funding sources.

The sustainability of this acquisition pace is therefore contingent upon continued financial support from CSWR and stable financing conditions. Should borrowing costs increase, parent liquidity decline, or capital deployment needs in other jurisdictions expand, the combined capital obligations of CSWR could increase financing costs or accelerate the need for rate recovery to maintain financial stability.

While Staff has concerns regarding the “Highly Leveraged” financial risk profile of both Confluence Rivers and CSWR, pro-forma ratios do not materially deteriorate as a result of this transaction. However, the combination of negative net income, negative FFO, acquisition-driven growth, and reliance on parent-funded capital indicates that financial performance is highly dependent on continued external support and access to financing.

Although the projected cost of this specific acquisition is modest relative to parent-level capital expenditures, the broader pattern of transaction activity and ongoing capital commitments warrants continued regulatory attention. In particular, sustained reliance on external funding sources may increase the likelihood of future rate proceedings to support capital recovery, especially if financing costs rise or operational cash flow does not materially improve.

Based on the information available, Staff finds no evidence that CSWR is presently unable to provide the financial support necessary for Confluence Rivers to undertake the proposed

28 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.

29 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.

acquisition and improvements for the Swan Lake sewer system. Nevertheless, Staff emphasizes that continued monitoring of capital structure, operating cash flow, acquisition activity, and parent-level financial condition is prudent to mitigate potential future rate impacts associated with Confluence Rivers' growth strategy and its reliance on enterprise level financial support.

DEPRECIATION

Depreciation rates currently in effect were approved in Case No. WR-2023-0006 and apply to all new plant. Depreciation rates will be subject to review in the Company's next rate case.

CUSTOMER EXPERIENCE

Publicity and Customer Notice

On November 21, 2025, Confluence Rivers mailed notice to the residents served by the system notifying them of the proposed acquisition.³⁰

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 two (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 on the customer brochure, the website, and in all written materials that will be sent to customers. The main office is open from 8:00 a.m. to 5:00 p.m. 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.

Confluence Rivers will offer the following payment options including check, money order, cashier's check, e-check, credit/debit cards, Apple Pay, Google Pay, PayPal Cash and Check Free Pay.

Confluence Rivers will obtain a customer list from the current owner/operator, and 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. Meters will be read near the end of each month. Bills will be calculated near the first week of each month by Billing Specialists using Muni-Link software. Bills are mailed by a mailing service and 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

³⁰ SA-2026-0125, *Notice of Mailing*.

after the due date or within the first few days following the due date. Confluence Rivers does not collect or require customer deposits from either new or existing customers.

RATE AND TARIFF MATTERS

Staff supports Confluence Rivers' proposal to apply the rules from PSC MO No. 31, its consolidated sewer tariff, to Swan Lake customers.

Currently, residents of Swan Lake Estates pay a \$3 customer charge plus \$5.34 per 1,000 gallons of water usage for sewer services. Confluence Rivers proposes charging a flat rate of \$19.02 per month to customers in Swan Lake Estates, which utilizes the current rates customers pay with the assumption that the average usage is 3,000 gallons for each customer. Confluence Rivers proposes a flat rate due to not being the water provider or having established contracts with the water provider. It is Staff's position that the majority of costs associated with wastewater treatment do not vary with usage and that flat rates are more appropriate than volumetric rates for most small wastewater treatment systems. This is because volumetric rates rely upon the timeliness of receiving usage and the accuracy of a water company or privately owned meter reads that may also not always be available. A lack of meter data available from the water provider would make it impossible to calculate a volumetric charge. In addition, Staff notes that many mobile home park customers are not individually metered by the water provider.³¹

This rate is likely below the cost of service for these customers and reflects the condition of the treatment facilities. While there is no regulation requiring it, Staff suggests that Confluence Rivers communicate its current rates for existing customers to the new customers at Swan Lake so that they may plan and budget for the potential increase to what they pay now.

The Bates City Mobile Home Park pays a fixed rate of \$6,500 per month as a wholesale customer, and Confluence Rivers proposes to charge the same fixed rate. This rate and the rates for Swan Lake customers will be evaluated in the next Confluence Rivers rate case. Confluence Rivers must submit new tariff sheets with the map, service area, and rates to be added to its existing tariff book PSC MO No. 31.

TMF 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 to successfully manage operations of the Swan Lake sewer utility system.

³¹ Staff has encountered many situations in recent years where the mobile home park owned their own private individual meters but chose to stop reading them for various reasons, such as increasing pad rent to cover water costs.

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’s investigation relates to the 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 Swan Lake have a desire and need for service.

(2) Applicant’s Qualifications

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

(3) Applicant’s Financial Ability

Confluence Rivers has the financial capacity to acquire this system through access to capital from its parent company. This purchase is being made with a capital infusion, and as a result, the purchase does not have a negative impact on the purchaser’s capital structure or financial ratios.

(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. Staff cannot put a definitive value regarding benefits or disadvantages received by either Swan Lake residents or existing Confluence Rivers customers with the acquisition and rehabilitation of Swan Lake based upon the Application. While Confluence Rivers has provided a simplified economic feasibility analysis based on costs and forecasted revenues, Staff does not have sufficient information to evaluate the reasonableness of the assumptions that underpin the Company’s analysis. However, there is clearly a need and an economic benefit to repairing the wastewater treatment facility and bringing it into compliance, not only to the two mobile home park owners and the residents, but also to any members of the public who encounter the treated wastewater downstream.

Staff finds Confluence Rivers’ approach toward investigating, repairing, and eventually upgrading the facility with modern technology a feasible engineering approach toward providing safe and adequate service. Staff will monitor the Company’s progress with routine inspections.

(5) Promotion of the Public Interest

Staff finds the proposed transaction promotes the public interest. The current owner of the Swan Lake system decided to get out of the wastewater business and has chosen to sell the assets. This owner has failed to properly operate and maintain the sewer system, resulting in violations of environmental regulations, with the potential for more serious issues if repairs and upgrades are not undertaken. This will be resolved by Confluence Rivers purchasing the system and making the appropriate improvements. As a result, the customers will be better served by Confluence Rivers as the operator of the sewer system and will more likely be provided with safe and adequate service, provided that Confluence Rivers completes upgrades and repairs in a timely manner as described in the recommended conditions below.

OTHER ISSUES

Swan Lake, 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. A certified copy of Confluence Rivers’ certificate of good standing was filed in File No. WM-2018-0116.

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

Confluence Rivers is current on its annual assessment payments.

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

STAFF RECOMMENDATIONS AND CONCLUSIONS

Based upon the foregoing, Staff recommends that the Commission:

1. Approve Confluence Rivers’ CCN, as requested in the Application, to provide sewer service in the proposed Swan Lake service area;
2. Approve Confluence Rivers’ proposed monthly charge for sewer service, and the rules governing sewer service currently found in Confluence Rivers’ sewer tariff P.S.C. MO No. 31;
3. Require Confluence Rivers to submit tariff sheets applicable to Swan Lake and Bates City Mobile Home Park, to become effective before closing on the assets, to include a service area map, service area written description, rates, and charges;
4. Require Confluence Rivers to notify the Commission of closing on the assets within five (5) days after such closing;

5. If closing on the assets does not take place 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;
6. 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 sewer tariff, and rate and charges sheets applicable to customers in the service areas in the sewer tariff;
7. Require Confluence Rivers to adhere to the acquisition accounting guidance provided in the USOA so that a request for rate recovery can be properly audited in Confluence Rivers' next rate case;
8. Require Confluence Rivers to provide training to its call center personnel regarding rates and rules applicable to the system's customers;
9. Require Confluence Rivers to distribute to the system's customers an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
10. Require Confluence Rivers to provide to the Customer Experience Department ("CXD") Staff an example of its actual communication with the system's customers regarding its acquisition and operations of the sewer system, and how customers may reach Confluence Rivers, within ten (10) days after closing on the assets;
11. Require Confluence Rivers to include the system's 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;
12. Require Confluence Rivers to provide the CXD Staff a sample of five (5) billing statements from the first three (3) months' billing for the system within ten (10) days of the billings;

13. Require Confluence Rivers to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing within ten (10) days after such communications and notifications;
14. Require Confluence Rivers to upgrade the treatment system as necessary to achieve compliance with wastewater treatment facility permit discharge limits within 24 months of ownership; and,
15. Require Confluence Rivers to file notice in this case once Staff Recommendations Nos. 1-14 above have been completed.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

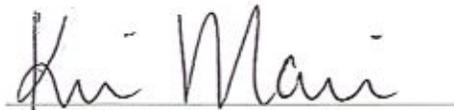
In the Matter of the Application of)
Confluence Rivers Utility Operating) File No. SA-2026-0125
Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service in an Area of Lafayette)
County, Missouri (Swan Lake Estates))

AFFIDAVIT OF KELLI MALKI

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

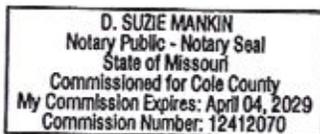
COMES NOW KELLI MALKI and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

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 3rd day of March 2026.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

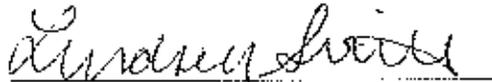
In the Matter of the Application of)
Confluence Rivers Utility Operating) File No. SA-2026-0125
Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service in an Area of Lafayette)
County, Missouri (Swan Lake Estates))

AFFIDAVIT OF LINDSEY SMITH

STATE OF MISSOURI)
COUNTY OF Jackson) ss.

COMES NOW LINDSEY SMITH 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.

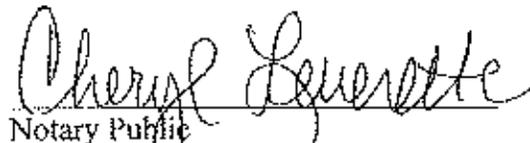
Further the Affiant sayeth not.


LINDSEY SMITH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 3rd day of March 2026.




Notary Public

