

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

In the Matter of the Application of)
Confluence Rivers Utility Operating)
Company, Inc., for a Certificate of) **File No. SA-2026-0268**
Convenience and Necessity to Provide)
Sewer Service in an Area of Jefferson)
County, Missouri (Mapaville Meadows #2))

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and for its Staff Recommendation, respectfully states as follows:

1. On April 10, 2026, Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”), filed an application (“Application”) seeking authority to acquire the sewer system assets of Mapaville Meadows #2, a nonprofit corporation that owns a wastewater treatment facility in Jefferson County, Missouri serving 12 homes. Confluence Rivers also seeks a certificate of convenience and necessity (“CCN”) to construct, install, own, operate, maintain, control, and manage the system, and requests waiver of the Commission’s 60-day notice requirement under 20 CSR 4240-4.017.

2. On April 15, 2026, the Commission issued its Order Directing Notice, Setting Deadline for Intervention, and Directing Staff Recommendation. The order set April 29, 2026, as the intervention deadline and directed Staff to file its recommendation, or a status report, on or before June 15, 2026. No applications to intervene have been filed.

3. Under Section 393.190, RSMo, the Commission considers whether the proposed transfer of utility assets is not detrimental to the public interest. Confluence Rivers is acquiring, not transferring, a non-regulated utility’s assets. To the extent

Commission approval of the transfer is required under Section 393.190, RSMo, Staff recommends that the Commission find the transfer not detrimental to the public interest. Under Section 393.170, RSMo, and the Commission's traditional Tartan Energy criteria, the Commission considers the need for service, the applicant's qualifications and financial ability, economic feasibility, and whether the requested CCN promotes the public interest.

4. As explained in Staff's Memorandum, attached as **Appendix A** and incorporated by reference, Staff investigated the Application, including the condition of the Mapaville Meadows #2 wastewater system, environmental compliance issues, proposed improvements or consolidation options, customer notice, customer service and billing, rate and tariff matters, Confluence Rivers' technical, managerial, and financial capacity, and the applicable Tartan Energy criteria.

5. Staff concludes that the transfer of the Mapaville Meadows #2 wastewater utility assets to Confluence Rivers is not detrimental to the public interest, that Confluence Rivers has demonstrated adequate technical, managerial, and financial capacity, that the Tartan Energy criteria are satisfied, and that the requested CCN is in the public interest.

6. Staff recommends that the Commission approve the Application, subject to the conditions and actions described in Staff's Memorandum, including tariff filings, closing notices and status reports, customer-service training, customer communications, customer-billing reporting, and preservation of the Commission's ability to consider ratemaking treatment in a later proceeding.

7. The Commission need not hold an evidentiary hearing if, after proper notice and opportunity to intervene, no party requests a hearing. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo. App. W.D. 1989).

WHEREFORE, Staff respectfully submits this Staff Recommendation for the Commission's information and consideration and requests that the Commission approve Confluence Rivers' Application, subject to the conditions outlined in Staff's Memorandum, attached hereto as **Appendix A**; and grant such other and further relief as the Commission deems just in the circumstances.

Respectively Submitted,

/s/ Paul T. Graham

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 15th day of June, 2026.

/s/ Paul T. Graham

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. SA-2026-0268

FROM: Alexis Branson – Auditing Department
Tammy Huber and Johna Trapani – Customer Experience Department
Kelli Malki – Financial Analysis Department
Russell Drury – Water, Sewer, Gas & Steam Department
Chad Stephenson – Water, Sewer, Gas & Steam Department

/s/ Russell Drury 6/15/2026
Case Manager / Date

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

DATE: June 15, 2026

EXECUTIVE SUMMARY & CASE BACKGROUND

Effective July 3, 2025, Central States Water Resources, Inc. (“CSWR”) entered into an *Agreement for Sale of Utility System* (“Agreement”) with Knox County PWSD (“Knox County”).

On April 10, 2026, Confluence Rivers Utility Operating Company, Inc. (“Confluence Rivers”) filed an application seeking authority to acquire the sewer systems assets of Mapaville Meadows #2, a nonprofit corporation that owns a wastewater treatment facility in Jefferson County, Missouri serving 12 homes. Confluence Rivers also seeks a certificate of convenience and necessity (“CCN”) to construct, install, own, operate, maintain, control, and manage the system. In addition, Confluence Rivers requests waiver of the Missouri Public Service Commission’s (“Commission”) rule requiring 60 days’ notice prior to filing an application.

On April 15, 2026, the Commission issued its *Order Directing Notice, Setting Intervention Deadline and Directing Staff Recommendation*, setting a deadline for applications to intervene no later than April 29, 2026. As of the date of this filing, no applications to intervene

have been filed in this case. The order additionally set a deadline of June 15, 2026, for Commission Staff (“Staff”) to either file its Recommendation or request for an extension of time stating when Staff intends to file its Recommendation.

BACKGROUND OF MAPAVILLE MEADOWS #2 WASTEWATER FACILITY

Mapaville Meadows #2 is owned by a nonprofit corporation on behalf of the homeowner’s association (“HOA”) and is located approximately 5 miles northwest of Festus, MO in Mapaville, MO. The wastewater treatment plant serving this portion of the HOA was originally constructed in the early 1980’s¹ and consists of an extended aeration system with chlorine disinfection. The facility has 12 homes presently connected. Mapaville Meadows #1, which is already regulated by the Commission, is immediately adjacent to the area served by Mapaville Meadows #2, as further described below.

BACKGROUND OF CONFLUENCE

Confluence is a Missouri corporation with its principal office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131. Confluence is a Missouri corporation in good standing, and a subsidiary of Central States Water Resources. A certified copy of Confluence’s certificate of good standing was filed in File No. WM-2018-0116 and is incorporated herein by reference. Confluence provides water service to approximately 6,500 connections and sewer service to approximately 7,400 connections in the State of Missouri, pursuant to CCNs previously granted by the Commission. Confluence is a “water corporation,” a “sewer corporation,” and a “public utility,” as those terms are defined in Section 386.020, RSMo, and is subject to the jurisdiction and supervision of the Commission as provided by law.

1 Appendix C-C of the application

STAFF'S INVESTIGATION

Staff investigated the condition of the sewer system, including its performance and compliance with environmental regulations. Staff reviewed information from Missouri Department of Natural Resources ("MDNR"), including the operating permit, inspections, unsatisfactory findings and letters of warning ("LOW"s) and an Abatement Order of Consent (AOC). Staff also reviewed an engineering memorandum report prepared for CSWR by 21 Design in November of 2025.

Staff, accompanied by representatives of Confluence, performed on-site inspections of the System on May 28, 2026. Staff took photographs, noted observations, and asked questions about the system. The inspection included a review of the current condition of the system and a discussion with Confluence Rivers' personnel on proposed capital improvements. In response to Staff Data Request No. 0032 Confluence reported that it has selected an existing operator that currently operates other nearby systems. Staff's review and observations of the system are listed below.

Mapaville Meadows #2 Background

The Mapaville Meadows #2 Wastewater Treatment Facility (permit number MO-0102881) utilizes extended aeration activated sludge treatment with disinfection. Raw sewage is conveyed by gravity from the connected homes in the subdivision to the treatment plant. Influent raw sewage enters the aeration basin where biological treatment occurs. Following treatment in the extended aeration basin, wastewater flows to the secondary clarifier, where settling of solids and wasting/recycling sludge will occur. Treated wastewater discharges from the secondary clarifier into a chlorine contact basin prior to being discharged into a nearby stream.

MDNR has documented a long history of noncompliance at Mapaville Meadows #2. A November 21, 2023 inspection report identified violations including failure to meet effluent monitoring requirements, operation by an uncertified operator, failure to maintain a proper outfall, and causing pollution to a tributary of Sandy Creek. Inspectors found the

aeration system nonfunctional, as the operator had shut down aeration for at least two days while attempting to retrieve fallen piping from the aeration tank. During the MDNR visit, only one blower was operating, and the facility lacked a secondary blower to provide necessary redundancy. This contributed to poor treatment conditions and the observed gray effluent and solids leaving Outfall 001. The outfall structure was non-compliant, consisting only of a concrete lip with no effluent pipe, making it impossible to collect representative samples required by the permit. MDNR Sampling conducted upstream and downstream showed a marked increase in ammonia and a decrease in dissolved oxygen within only a few feet. Multiple exceedances for five-day biochemical oxygen demand (BOD)₅, total suspended solids (TSS), E. coli, and ammonia were documented through multiple years of Discharge Monitoring Report (“DMR”) submissions. These observations are supported by previous inspections and enforcement actions dating back to 2017.

Due to the continued violations, MDNR issued Administrative Order of Consent (“AOC”) No. 2025-WPCB-1720. The AOC cites persistent effluent exceedances, improper outfall construction, recurring pollution events, and noncompliance with permit conditions. The AOC requires the owner to upgrade the facility or sell it to a qualified wastewater utility. Penalties were assessed and the order includes compliance milestones, engineering requirements, and stipulations for future penalties should violations continue.

Staff Site Visits

Staff conducted an inspection of Mapaville Meadows #2 with representatives from Confluence Rivers. Discussions focused on anticipated project outcomes should Confluence acquire the system. Confluence indicated that its preferred alternative is likely to involve decommissioning the Mapaville Meadows #2 plant and constructing a lift station to transfer wastewater to the existing Mapaville Meadows #1 facility. In response to Data Request 0029 Staff requested hydraulic and treatment capacity evaluations for consolidation. Confluence stated that Mapaville Meadows #1 has a design flow of 4,000 gpd and currently receives 1,532 gpd, indicating available capacity. However, Confluence explained that any future consolidation would likely include upgrades to the #1 facility.

Confluence emphasized that consolidation is preliminary and not yet the final project plan.

Staff also visited Mapaville Meadows #1, which Confluence previously acquired. Confluence has undertaken substantial rehabilitation work at that facility, including plant refurbishment, installation of new duplex blowers and a blower building, upgraded aeration piping and diffusers, a new weir and baffle, improved return lines, digester tank upgrades, new electrical service, and other triage work necessary to stabilize operations. The site is located at the entrance to the subdivision and is highly visible to the public.

In contrast, Mapaville Meadows #2 is located deeper within the subdivision and is much less visible. Staff observed that all visual issues documented in the DNR inspection and AOC remain present, and facility conditions appear to have further deteriorated since the November 2023 MDNR visit. Staff observed several visible issues with the facility, such as an unlocked/unsecured gate and a heavily damaged perimeter fence. Staff also noted that the facility was filled with an opaque dark colored liquid. A strong sewage odor was present, and the plant did not appear to be receiving any meaningful flow because of an active sanitary sewer overflow (“SSO”) from the manhole just upstream of the treatment plant with wastewater flowing directly into the nearby stream. Staff could hear and see the SSO occurring. Based on staff’s observations, the facility remains in a state of significant operational failure and is not functioning as a viable treatment system in its current condition.

According to the engineering memo, Appendix C-C, submitted with the application the following is recommended by 21 Design:

Initial Triage Improvements Proposed

- Install a manual transfer switch with a quick connect to allow for the use of a portable generator for use in emergency situations.
- Installation of an ultrasonic level transducer and V-Notch Weir for flow measurement in the chlorine contact/post-aeration tank, as well as a remote monitoring system to record flow data prior to additional system improvements.

- The existing sludge holding tank should be pumped clean and dimensional data should be acquired to determine existing sludge storage capacity. If necessary, consideration should be given to including the addition of an aerobic digester in the capital improvement budget.
- Consideration should be given to installing a new secondary clarifier with a minimum sidewater depth of 10 feet following an initial period of operational monitoring.
- Clear and Grub Site
- Install gravel access road and replace existing fence.
- Replace all existing process wastewater and air piping including drops, laterals, and diffusers.
- Replace the existing clarifier weir and install a baffle wall.

Wastewater Treatment Facility Recommended Improvements

- Conversion of the existing extended aeration system to an IFAS (“Integrated Fixed Film Activated Sludge”) system.
- Install a new duplex blower system for IFAS aeration (including air injection for waste activated sludge (“WAS”)/return activated sludge (“RAS”) & Scum Airlifts).
- A new control panel with variable frequency drives (“VFDs”) should be installed for the blowers, allowing them to be throttled downwards or upwards as necessary to increase energy efficiency. This will help to reduce operational costs over time.
- Operational monitoring of influent BOD and Total Nitrogen Test (“TKN”) should be performed to determine optimal WAS and RAS rates for the expected loading. A lower mixed liquor suspended solids (“MLSS”) concentration will need to be maintained to optimize the ratio from incoming loading to biomass concentration, as well as to minimize the depth of the sludge blanket in the clarifier to an acceptable level.
- Install chlorine tablet feeder upstream from the chlorine contact tank.

The estimated costs for the sewer system improvements is ** [REDACTED] **. Confluence's preliminary cost estimates were prepared by 21 Design and are provided in this Memorandum for informational purposes only. Staff will review all investments and the actual costs for all repair and improvements during a future rate case to be filed by Confluence.

The following commission-regulated companies or political subdivisions have service areas within one (1) mile of the proposed service area of Mapaville Meadows #2: Jefferson County Public Sewer District and a system already owned by Confluence Rivers known as Mapaville Meadows #1 system. In response to Staff Data Request 0027 Staff asked whether eliminating discharges from Mapaville Meadows #2 by connecting to the Jefferson County Public Sewer District ("JCPSD") had been evaluated. Confluence responded that no final project approach has been selected and that a connection to JCPSD will be evaluated as part of the post-acquisition engineering analysis. According to page 3 of the application Confluence Rivers plans consolidate the system with the existing Mapaville Meadows #1 system.

In response to Staff Data Request No. 0030 Staff asked Confluence to explain whether it intends to pursue consolidation with Mapaville Meadows #1 or implement the improvements outlined in the engineering memo Appendix C-C, or some combination of both. Confluence replied that engineering memoranda produced during due diligence are preliminary assessments based on limited information and are not intended to serve as final engineering designs. Confluence stated that detailed alternatives analysis and operational evaluation cannot occur until after closing, when more reliable system data can be gathered. As a result, Confluence has not yet determined which option will ultimately be selected. In response to Data Request 0031 Confluence responded that none of the improvements would be necessary if the existing facility is converted into a lift station. Some interim triage work—such as clearing vegetation or improving site access—may be required to safely operate the plant until consolidation or a JCPSD connection is implemented,

Service Area

Confluence submitted a service area map of the Mapaville Meadows 2 service area, with the Application as Appendix E. Appendix D is listed as a legal description of the area sought to be certified but was not submitted with the application. Staff reviewed Appendix E and determined it to be sufficient. Should the Commission approve the Application, Confluence shall file service area maps and legal descriptions that mirror those included with the Application.

Rate Base

The Auditing Department reviewed information provided by Confluence in response to Staff's DRs and the information in Confluence's Application, which included sale agreement documents and Confluence's workpapers. Typically, Staff recommends the value of plant investment, or "rate base," by studying documentation of the cost of constructing plant, along with annual depreciation expense, and whether or not plant facilities or money was contributed by customers or land developers.

In Staff DR 0017 and Staff DR 0018, Staff requested financial records regarding plant investments in the Mapaville Meadows #2 sewer system. Confluence was unable to provide any financial records to Staff Based upon the purchase price of ** [REDACTED] **, and the need for extensive repairs and upgrades detailed above, Staff finds it reasonable to assume a rate base of \$0.00 until Confluence files an application for its next rate case. However, because rate base is not required to be determined during this type of acquisition, the Commission is not required to make a finding at this time. As part of a future rate case, Confluence will supply details of the plant investments made and may choose to prepare an engineering study estimating rate base for other assets.

Depreciation

Confluence will utilize the depreciation rates as approved in Confluence's most recent rate case, Case No. WR-2023-0006.

Financial Analysis

Staff evaluated whether Confluence has the financial capability to acquire the unregulated sewer system assets of Mapaville Meadows #2, 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] **. ² Confluence has stated that it possesses “the financial strength and resources necessary to make expenditures and investments required to maintain the systems.” ³

Staff’s review of Confluence’s pro-forma financial statements indicates that the anticipated cost of the project will be funded through equity infusions from its parent company, CSWR, as well as borrowings from CSWR. ⁴ Borrowed funds are classified by Confluence as “Payable to Associated Companies” on its balance sheet. ⁵ Although this item appears in the Long-Term Liabilities section, Confluence has confirmed that such borrowings currently have no repayment schedule, interest requirement, or other formal financing terms, and further considers “Payable to Associated Companies” as the equity portion of its capital when calculating its debt-to-capital ratios. ⁶

Confluence 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. ⁷ 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. ⁸

Because the funding for this acquisition and related improvements will be provided by the parent company (i.e. CSWR), Staff reviewed the current financial and business risk profiles of both Confluence and CSWR, as well as the potential impact of this project on the credit

² Appendix A-C and F-C, The Application.

³ Paragraph 24, The Application.

⁴ Confluence’s response to Data Request No. 0001.

⁵ Confluence’s response to Data Request No. 0007.3 as a part of case WF-2023-0023.

⁶ Ibid.

⁷ Confluence’s response to Data Request No. 0005 as a part of case WA-2026-0054.

⁸ Ibid.

quality of each company. This review was necessary to determine whether reliance on the parent company for funding creates additional financial risk for Confluence, or whether the strength of CSWR’s financial position mitigates the risks associated with Confluence’s leveraged profile.

Although neither Confluence nor CSWR are publicly traded, a review of their financial ratios shows the following:⁹

Confluence Rivers

	<u>As of March 31, 2025</u>				<u>Pro Forma</u>			
				<u>Financial Risk</u>				<u>Financial Risk</u>
Debt/EBITDA (x)	**	██████	**	Highly Leveraged	**	██████	**	Highly Leveraged
Debt/Capital (%)	**	██████	**	Modest	**	██████	**	Modest

CSWR

	<u>As of March 31, 2025</u>				<u>Pro Forma</u>			
				<u>Financial Risk</u>				<u>Financial Risk</u>
Debt/EBITDA (x)	**	██████	**	Highly Leveraged	**	██████	**	Highly Leveraged
Debt/Capital (%)	**	██████	**	Aggressive	**	██████	**	Aggressive

A review of Confluence’s and its parent company’s financial ratios shows that both companies’ Debt-to-Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) ratios increase slightly 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 minimal decrease in Confluence’s

⁹ Confluence’s response to Data Requests No. 0001, No. 0002, and Malki’s Workpaper.

Debt-to-Capital ratio, while CSWR's Debt-to-Capital ratio remains substantially unchanged on a pro forma basis.

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.¹⁰ 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.¹¹

Because both Confluence and its parent report negative Funds From Operations ("FFO"), their FFO-to-Debt ratios are negative.¹² A negative FFO-to-Debt ratio is atypical, as this metric is generally positive.¹³ 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.¹⁴ While this condition does not, by itself, prevent the proposed 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 projected total capital expenditures for the period of approximately ** [REDACTED] **, which averages roughly ** [REDACTED] **, per year.¹⁵

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

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

12 Ibid.

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

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

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

CSWR showed an average annual capital expenditure for the period of 2023-2027 of ** [REDACTED] **. ¹⁶ The total purchase price of the merger represents less than 0.1% of Confluence's and CSWR's projected average annual capital expenditures. ¹⁷ Similarly, the total estimated project cost is less than 2% of Confluence's projected average annual capital expenditures and less than 1% of CSWR's.

A review of the historical financial statements of both Confluence and CSWR indicates that each has generally maintained sufficient funds to support acquisition- and merger-related expenditures. However, both Confluence and CSWR have consistently reported negative net income from 2020 to the present, as well as in the pro forma projections. ¹⁸

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. ¹⁹ 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. ²⁰

A review of the merger and acquisition cases filed by Confluence during fiscal years 2023-2026 shows that, within those four years, Confluence filed 21 CCN and acquisition and merger ("M&A") cases, seven of which involved joint sewer and water systems. ²¹

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

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

18 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.

19 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>

20 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

21 Malki's Workpaper.

The total purchase cost for all 21 of Confluence’s most recent CCN and M&A cases is approximately ** [REDACTED] **,²² which is roughly 26% Confluence’s total projected capital expenditures for the period 2024–2029, but less than 11% of CSWR’s average annual projected capital expenditures from 2023-2027. The total estimated project cost of Confluence’s 21 CCN and Merger cases filed between fiscal years 2023–2026, including this case, is approximately ** [REDACTED] **,²³. This amount is approximately 73% of Confluence’s projected capital expenditures and represents only about 28% 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 21 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’s 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 and CSWR, pro-forma ratios do not materially deteriorate as a result of this transaction. However, the combination of sustained negative net income, persistent negative FFO, acquisition-driven growth, and continued reliance on parent-funded capital

22 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.

23 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.

indicates that Confluence's financial position remains dependent on ongoing external financial support. Confluence and CSWR have both reported negative net income and negative FFO from 2020 through the present, including on a pro forma basis.²⁴ In addition, since fiscal year 2023, Confluence has filed roughly 21 CCN, Acquisition, or merger cases, each of which has required some degree of parent-level financial support.²⁵

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 to undertake the proposed acquisition and improvements for the Mapaville Meadows #2 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's growth strategy and its reliance on enterprise level financial support.

Publicity and Customer Notice

On April 21, 2026, Confluence Rivers mailed notice to the residents served by the system notifying them of the proposed acquisition.²⁶

²⁴ Confluence's response to Data Request No. 0001, No. 0002, & No. 0002.1 as a part of Case No. WA-2023-0398; Confluence's response to Data Request No. 0001; and historical financial statements for fiscal years 2020-2025.

²⁵ Malki's Workpaper.

²⁶ SA-2026-0268, *Notice of Mailing*.

Customer Service and Billing

The business office for Confluence will not change as a result of the proposed acquisition. The main office for Confluence is located at 1630 Des Peres Road, Suite 140, St. Louis, MO 63131. Customers will be able to contact Confluence's customer service department by calling the toll-free phone number (866)945-3920, visiting the website at www.confluenceriversuoc.com, 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, 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 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.

Confluence 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 CheckFreePay²⁷.

Confluence will obtain a customer list from the current owner/operator, and that data will then be entered into Confluence's billing system via data import or by manual data entry.

Confluence will utilize its standard billing process. Meters will be read near the end of each month. Confluence Rivers' CSWR Billing Specialists calculate bills during the first week of each month 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. Payments made by debit, credit, or e-check within the Muni-Link Software and

²⁷ CheckFreePay is a bill payment platform designed to make payments and simplify the process for users that prefer to make cash payments in person or on-line making it accessible to a wide range of consumers including those who are unbanked or underbanked. CheckFreePay is operated by Fiserv and offers over 30,000 billpay locations across the United States.

Invoice Cloud, a third-party provider of electronic bill pay, are posted immediately. For customers enrolled in autopay, payments are made three (3) days prior to the due date. Posting occurs prior to bill rendition, and payments are manually posted each day by CSWR Billing Specialists. Late fees are applied within the first few days following the due date by CSWR Billing Specialists. For customers with a water shut off agreement in place, penalties are assessed after the payment due date, and a list of past due accounts are sent to all water providers for disconnection. The customer receives the first notification prior to disconnection of water service via certified mail at least thirty (30) days prior to shut off. The customer receives final notification of shut off a minimum of 24 hours in advance via a door hanger placed at the service location. By agreement with the water companies, water services are disconnected on the scheduled date. If the account has over a \$50 balance, it is eligible for transfer to an outside collection agency. At least thirty (30) days prior to transfer, customers are notified via first class mail. For customers without a water shut-off agreement, penalties are assessed after the payment due date. The customer receives the first notification 45 days prior to disconnection. The customer receives the second notification via certified mail 30 days prior to disconnection. The customer receives final disconnection notice via a door hanger placed at the service property at least 24 hours prior to disconnection. Sewer services are disconnected on the scheduled date if the location has a sewer shut off valve. The Company makes collection calls for all past due debt. The same criteria applies to customers without a water shut-off agreement as customers with a water shut-off agreement in place; if the account has over a \$50 balance, it is eligible for transfer to an outside collection agency and customers are notified via first class mail at least thirty (30) days prior to transfer.

Confluence does not collect or require customer deposits from either new or existing customers. Any issues regarding existing deposits between customers and Mapaville Meadows #2 will be resolved prior to the closing of the assets.

Rate and Tariff Matters

The Company proposes to charge a monthly fixed rate of \$40.00 for the customers of the Mapaville Meadows #2 sewer system. In addition to the \$40.00 fixed rate, the Company proposes to utilize Confluence Rivers' existing service charges²⁸ for these systems. Confluence Rivers would further plan to submit tariff sheets, to be effective before closing on the assets, to include a service area map, service area written description, and rates to be included in its EFIS tariff P.S.C. MO No. 31, applicable to sewer service.

Technical, Managerial, and Financial Capacity

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

Technical Capacity

As noted above, Confluence is an existing regulated water and sewer utility currently providing water service to more than 6,500 connections and sewer service to approximately 7,400 connections in several service areas throughout Missouri. Confluence has acquired several small existing water and sewer systems, and – as a subsidiary of CSWR – is affiliated with other companies that undertake some of the tasks associated with utility service, such as customer billing, and technical resources. As such, it is Staff's position that Confluence has the requisite technical capacities to acquire and operate these three wastewater systems, as well as complete the necessary maintenance proposed by Confluence for these facilities.

Managerial Capacity

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

Financial Capacity

Staff finds no evidence that Confluence lacks the financial support necessary to acquire, operate, and complete the recommended maintenance of the wastewater system through access to capital through its upstream affiliates. Its parent company, CSWR, owns several water and sewer utilities in several states. It is Staff's opinion, based upon its current operations and past acquisitions, that Confluence has demonstrated that it has the requisite financial capacity to acquire, operate, and complete the recommended maintenance of the three wastewater systems proposed to be acquired.

Tartan Criteria

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

(1) Need for Service

There is both a current and future need for sewer service, as the existing sewer customer base has both a desire and need for service.

(2) Applicant's Qualifications

Confluence is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. Confluence is currently providing sewer service to approximately 7,400 customers throughout Missouri, and Confluence is a subsidiary of CSWR. Confluence has significant experience in purchasing assets that are beyond their useful life and rehabilitating such systems.

(3) Applicant's Financial Ability

Confluence, with the assistance of its parent company, CSWR, is financially capable of the acquisition. As noted above, whether the rehabilitation of this very small sewer treatment facility involves a lift station or rebuilding the treatment plant, the investment will be relatively modest compared to CSWR's capital expenditures. It is reasonable to conclude that Confluence has the financial capability to construct, install, own, operate, and maintain the sewer collection and treatment system for Mapaville #2.

(4) Economic Feasibility of the Proposal

The fourth Tartan Criteria calls for an evaluation of the economic feasibility of the proposal.²⁹ Since future costs, revenues, and financial challenges cannot be known at this time, it is not possible to create a robust analysis of economic feasibility. While Confluence provided a calculation of expected revenues and expenses in Appendix F of its application, this calculation relies on assumptions and estimates of costs that cannot be verified. For example, because the current treatment plant is inoperable, costs associated with electricity cannot be known for the existing facility once repaired. And since the ultimate engineering solution has not yet been selected, future operational costs cannot be known.

²⁹The Cambridge Dictionary defines "economic feasibility" as "the degree to which the economic advantages of something to be made, done, or achieved are greater than the economic costs". <https://dictionary.cambridge.org/us/dictionary/english/economic-feasibility?q=Economic+Feasibility>.

None the less, Staff is of the opinion that Confluence's revenues will continue to be sufficient to cover the company's cost of service. Staff's position is that the proposal appears to be economically feasible.

(5) Promotion of the Public Interest

Staff finds that due to the positive nature of the preceding criteria, combined with the present and future need for utility service, this proposed acquisition promotes the public interest.

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

OTHER ISSUES

Confluence is current on its water and sewer PSC assessment payments and is up to date on its annual reports. Confluence is also in good standing with the Missouri Secretary of State's office, and a certified copy of Confluence's certificate of good standing was filed in File No. WM-2018-0116. Confluence has no proceeding before the Commission that should impact the outcome of this case.

STAFF'S RECOMMENDATIONS AND CONCLUSIONS

Staff's position, based on its review as described herein, is that the transfer of utility assets is in the public interest. Staff therefore recommends that the Commission authorize the transfer of Mapaville Meadows 2 assets to Confluence, and grant Confluence CCNs for the acquired systems at issue in this case. These recommendations are subject to the conditions and actions as outlined herein:

1. Authorize the transfer of the Mapaville Meadows 2 wastewater utility assets to Confluence and grant Confluence CCN upon closing on the respective System;
2. Approve Confluence adopting current System rates for sewer service, and all other charges and rules governing sewer service currently found in Confluence's Commission authorized sewer tariff P.S.C. MO No. 31;

3. Require Confluence to submit tariff sheets applicable to the Mapaville Meadows 2 service areas, to become effective before closing on the assets, to include service area maps, service area legal descriptions, rates, charges and all other applicable information;
4. Require Confluence 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 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 provide training to its call center personnel regarding rates and rules applicable to the system's customers;
8. 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;
9. 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;

10. 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;
11. Require Confluence Rivers to provide the CXD Staff a sample of five (5) billing statements from the first three months' billing for the system within ten (10) days of the billings;
12. Require Confluence Rivers to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing within ten (10) days after such communications and notifications; and
13. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of)
Confluence Rivers Utility Operating) Case No. SA-2026-0268
Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service In an Area of Jefferson)
County, Missouri (Mapaville Meadows #2))

AFFIDAVIT OF ALEXIS L. BRANSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW ALEXIS L. BRANSON 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.

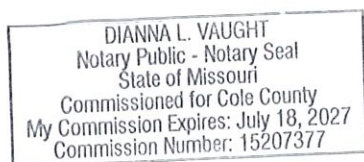
Further the Affiant sayeth not.

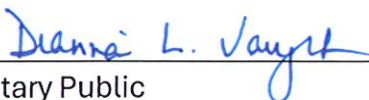


ALEXIS L. BRANSON

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 June 2026.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of)
Confluence Rivers Utility Operating) Case No. SA-2026-0268
Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service In an Area of Jefferson)
County, Missouri (Mapaville Meadows #2))

AFFIDAVIT OF RUSSELL DRURY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW RUSSELL DRURY 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.

Russell Drury
RUSSELL DRURY

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 June 2026.

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

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) Case No. SA-2026-0268
Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service In an Area of Jefferson)
County, Missouri (Mapaville Meadows #2))

AFFIDAVIT OF TAMMY HUBER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW TAMMY HUBER 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.


TAMMY HUBER

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 June 2026.

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


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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Company, Inc., for a Certificate of)
Convenience and Necessity to Provide)
Sewer Service In an Area of Jefferson)
County, Missouri (Mapaville Meadows #2))

AFFIDAVIT OF JOHNA TRAPANI

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JOHNA TRAPANI 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.

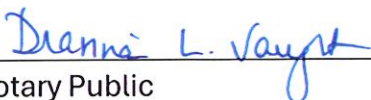


JOHNA TRAPANI

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 June 2026.

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