

MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, Case No. SA-2026-0248

FROM: Sherrye Lesmes – Auditing Department
Charles Tyrone Thomason – Customer Experience Department
Kelli Malki – Financial Analysis Department
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Chad Stephenson, PE – Water, Sewer, Gas, & Steam Department

/s/ Jarrod J. Robertson 7/29/2026
Case Manager

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

DATE: July 29, 2026

EXECUTIVE SUMMARY & CASE BACKGROUND

Effective September 3, 2024, Central States Water Resources, Inc. (“CSWR”) entered into an *Agreement for Sale of Utility System* (“Agreement”) with the Public Water Supply District No. 1 of Knox County (“Knox County”).

On February 14, 2025, the Circuit Court of Knox County, Missouri, entered its *Order Approving Sale of Sewer Facilities*, finding the Agreement was “in the public interest and in the best interest of the [Knox County PWSD] and the residents and property owners of the District connected to the Sewer Treatment Systems ... residing in Knox County, Missouri.”¹

On March 24, 2026, Confluence Rivers Utility Operating Company, Inc. (“Confluence”) filed an *Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”). In that Application, Confluence proposes to purchase the sewer system assets of Knox County, specifically the Barring Area, Hurdland, and Newark wastewater facilities (“Systems”), and seeks a Certificate of Convenience and Necessity (“CCN”) to operate the Systems in the provision of sewer services to the public.

¹ In re: Consolidated Public Water Supply District #1 of Knox County, Missouri, Case No. 24KN-CC00062. Knox County Missouri Circuit Court (2025).

On March 25, 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 15, 2026, and for Commission Staff (“Staff”) to either file its Recommendation or request for an extension of time stating when Staff intends to file its Recommendation, no later than April 29, 2026. As of the date of this filing, no applications to intervene have been filed in this case.

On April 7, 2026, Confluence notified the Commission that it had mailed the required Customer Notice to the Systems’ customers on March 24, 2026.

On April 29, 2026, Staff filed a *Motion for Extension of Time to File Staff Recommendation*, notifying the Commission that Staff requested an additional 60 days in which to complete and file its report. On April 29, 2026, the Commission issued its *Order Granting Extension for Staff Recommendation*, approving of Staff’s intended June 29, 2026, filing date.

On June 29, 2026, Staff filed a *Second Motion for Extension of Time to File Staff Recommendation*, requesting an additional 30 days in which to complete and file its report, and on the same day, the Commission filed its *Order Granting Second Extension for Staff Recommendation*, setting a deadline of July 29, 2026. This second extension was intended to allow Knox County more time to obtain additional information from the Federal government regarding their current loan payoff amounts, and to provide Knox County with the opportunity to supply additional information regarding original costs for their systems. As discussed below, this effort was unsuccessful.

BACKGROUND OF KNOX COUNTY WASTEWATER FACILITIES

Knox County owns three wastewater systems that have approximately 269 total connections, the Baring Area system (150 connections), the Hurdland system (74) and the Newark system (45). All three systems utilize lagoons and are located in Knox County, Missouri, 25 miles south of Confluence’s Luray system and 35 miles to the north of Confluence’s Lost Valley system. While not regulated by the Commission, the three Knox

County systems are under the jurisdiction of the Missouri Department of Natural Resources (“MDNR”).

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.

STAFF’S INVESTIGATION

Staff investigated the condition of each of the sewer systems, including their performance and compliance with environmental regulations. In response to Staff Data Request No. 0031 Confluence confirmed that all sewer assets of the Knox County PWSD—Baring, Hurdland, and Newark—are included in the sale. Knox County will retain only its public drinking water system, which is not part of the transaction. Staff reviewed information from MDNR, including operating permit, inspections, unsatisfactory findings and letters of warning (“LOW”s). Staff also reviewed engineering memorandums and reports prepared for CSWR by 21 Design in April 2025.

While accompanied by representatives of Confluence, Staff performed on-site inspections of the Systems on May 14, 2026. Staff took photographs, noted observations, and asked questions about each system. These inspections included a review of the current condition of each system and a discussion with Confluence Rivers’ personnel on proposed capital

improvements. In response to Staff Data Request No. 0029, Confluence reported that it has not yet selected operators for the Baring, Hurdland, or Newark systems. Operators would be designated before closing, and Confluence stated it will not close on the acquisition until operators have been formally assigned. Staff's review and observations are listed below each system's description.

Baring Area WWTF – Background

The Baring Area Wastewater Treatment Facility ("WWTF") (permit number MO-0045811) consists of a two-cell extended-detention time facultative lagoon system. The system operates under a permit issued September 1, 2023, with a design flow of 18,650 gpd and sludge retained in the lagoon. Raw sewage is conveyed by force mains from two lift stations located within the subdivision into a manhole located at the northwest corner of cell 1. The lagoon cells are not located adjacent to one another, and a pump station is used to convey effluent from the first cell to the second cell, which is located a quarter mile north along County Road 14. Effluent from the second cell flows by gravity through the level control structure into a flow measurement basin with a v-notch weir. Flow measurement is currently performed manually, as there is no level transducer installed within the flow measurement basin. Additionally, the lagoon is not equipped with any disinfection but does have E. Coli limits.

During the most recent MDNR inspection on December 3, 2024, MDNR found the facility to be in non-compliance due to multiple operational and reporting deficiencies. These included inaccurate Discharge Monitoring Reports ("DMRs"), failure to collect representative samples, incomplete operational monitoring reports, lack of an implemented maintenance and repair program for the collection system, deep-rooted vegetation on lagoon berms, and deficiencies at both lift stations, including a lack of two operational pumps and inoperable alarm systems.

The MDNR inspection also documented physical conditions at the site, including maintained riprap on berms but significant deep-rooted vegetation at both lagoon cells, and non-operational alarm systems despite functional wet wells. No discharges were occurring at the time of the inspection. Required corrective actions included revising DMRs, documenting sampling issues, completing operational monitoring, removing vegetation, restoring lift station redundancy, and repairing alarm systems, all by January 20, 2025. A review of MDNR files shows responses to MDNR to address these issues. Despite some of the operational and reporting deficiencies mentioned in the inspection report, the facility has not had any exceedances for pollutants in the past 12 quarters.

The engineering memo, Appendix D-C, submitted with the Application, recommends the following:

Initial Triage Improvements Proposed

- Install an ultrasonic level transducer at the point of measurement in the v-notch effluent weir box for flow data acquisition, as well as a remote monitoring system to record the data prior to system improvements;
- Sludge levels in the lagoon should be evaluated to determine if removal costs need to be included in the initial budgets;
- Clearing of vegetation near the level control structure and flow measurement basin at the second cell; and
- Install a manual transfer switch to allow for the use of a generator quick connect for use in emergency situations.

Wastewater Treatment Facility Recommended Improvements

- Installation of a two-stage Moving Bed Biofilm Reactor (“MBBR”) at the plant influent to improve nitrification capabilities of the system. The majority of biochemical oxygen demand (“BOD”) would be removed from the wastewater in the MBBRs, along with a portion of the ammonia. As BOD removal would be much less critical in the

lagoon, the full extent of the treatment volume in the lagoon in tandem with the integrated fixed-film (“IFF”) modules would be dedicated to nitrification exclusively.

There is adequate space at the site of the first cell for a two-stage MBBR; and

- The system and pump curves for each lift station pump will need to be checked during the design phase to determine if the pumps can handle an additional 5 feet +/- of static head.

The estimated costs for the sewer system improvements at Baring is ** [REDACTED] **.

Confluence’s preliminary cost estimates were prepared by 21 Design and are provided in this Memorandum for informational purposes only. Staff would review all investments and the actual costs for all repair and improvements during a future rate case to be filed by Confluence.

In response to Staff Data Request Nos. 0027 and 0028 regarding the evaluation process used to determine if the proposed upgrades are necessary given the system’s history of compliance with no pollutant exceedances in the past 12 quarters, Confluence stated that no statute or regulation requires upgrades to the lagoon systems based solely on their compliance history. Confluence designs its systems following MDNR’s Clean Water Commission Design Guide, 10 CSR 20-8 for water and wastewater and noted that facultative lagoons often perform poorly in ammonia removal. Confluence typically performs an assessment period after acquisition to determine whether upgrades are necessary to maintain compliance. Upgrades are only undertaken if the facility subsequently demonstrates an inability to meet permit limits. Confluence also noted that flow is currently manually measured by operators once a month, and if the flow numbers are accurate, it indicates a large portion of the raw wastewater from the customers is currently not reaching the facility based upon typical residential flows and the number of services connections. This would need to be addressed and could increase the facility loading affecting its ability to meet permit limits. Confluence also noted there is no disinfection, but that the facility has E. Coli limits. Confluence plans to evaluate the flow and

do effluent sampling following to confirm compliance. If the facility is found to be adequate to treat the community's wastewater to permitted limits, significant improvements will not be necessary.

During Staff's on-site inspection of the Baring Area WWTF, Staff and Confluence personnel discussed several operational changes that Confluence anticipates if the system is acquired. As noted above, Confluence personnel stated that its first priority would be continued monitoring to ensure ongoing compliance, given the system's prior challenges with sampling and reporting. Confluence also recognized the need to remove the established tree growth from the lagoon berms. Staff observed that although vegetation was present, the riprap itself appeared to be in good condition. Staff additionally noted that the controls at the lift station were not watertight, and this issue was discussed with Confluence as a necessary future correction.

Staff and Confluence agreed that the first steps after any acquisition would likely include spraying the riprap to eliminate vegetation, updating existing signage and adding additional warning signage as needed, and installing a flow meter at the secondary cell near the discharge point to improve operational monitoring and reporting accuracy as discussed above. Staff agrees all these measures discussed are necessary early actions to stabilize system performance and support compliance.

Hurdland Wastewater Treatment Facility – Background

The Hurdland WWTF (permit number MO-0115894) is a three-cell facultative lagoon system operating under a permit issued February 1, 2024, with a design flow of 23,600 gpd for a population equivalent of 236. Raw sewage is conveyed by force mains from three lift stations located throughout the collection system and eventually into an influent manhole at the southeast corner of cell 1. Effluent from the third cell flows by gravity through the final level control structure into a flow measurement basin with a v-notch weir. Flow measurement is currently performed manually as there is no level transducer installed within the flow

measurement basin. Additionally, the lagoon is not equipped with any disinfection. The site was last inspected by MDNR on November 16, 2022. MDNR identified non-compliance related to timely reporting, lagoon maintenance, and outfall marking. Historically, the system has experienced repeated violations involving missing or late DMRs, incomplete progress reports, and operational monitoring lapses dating back several years, although recent DMRs have been submitted.

The inspection found extensive woody vegetation growing through the riprap on berms of all three lagoon cells, an unmarked outfall, and missing maintenance documentation for the collection system. Despite these issues, the lagoon had adequate freeboard, lift stations were secured, and no overflows were observed. Field sampling on the day of inspection showed compliant effluent quality. Required actions included timely DMR submissions, removal of deep-rooted vegetation, proper outfall marking, and documentation of maintenance activities. A review of MDNR files shows responses to MDNR to address these issues.

According to Appendix to E-C submitted with the Application, the engineering memo recommended the following:

Initial Triage Improvements Proposed

- Install a level transducer at the point of measurement in the flow measurement basin for flow data acquisition, as well as a remote monitoring system to record the data prior to system improvements;
- Install remote monitoring systems at each of the influent pump stations;
- Sludge levels in the lagoon should be evaluated to determine if removal costs need to be included in the initial budgets;
- Clearing of vegetation near the flow measurement basin; and
- Install a manual transfer switch to allow for the use of a generator quick connect for use in emergency situations.

WWTF Recommended Improvements

- Installation of a two-stage MBBR at the plant influent to improve nitrification capabilities of the system. The majority of BOD would be removed from the wastewater in the MBBRs, along with a portion of the ammonia. As BOD removal would be much less critical in the lagoon, the full extent of the treatment volume in the lagoon in tandem with the IFF modules would be dedicated to nitrification exclusively. There is adequate space at the site of the first cell for a two-stage MBBR.
- The system and pump curves for each lift station pump will need to be checked during the design phase to determine if the pumps can handle an additional 5 feet +/- of static head and minor losses. If the existing pumps are inadequate, a new on-site influent pump station would be necessary.

Installation of In-Situ fixed film in the first cell of the system to improve nitrification capabilities within the lagoon. In addition to dissolved oxygen, the new supplemental aeration will introduce partial mix conditions and agitation at the water surface that will help to reduce duckweed and algae growth, and in turn improve BOD and ammonia removal. The IFF modules, in tandem with the existing lagoon, will also play an important role in reducing re-released ammonia concentrations and digesting sludge.

The existing facility is categorized as a facultative lagoon, and it has been assumed that DNR will recategorize the facility as an aerated lagoon when the proposed process upgrades are completed, which would lower the existing BOD5/Total Suspended Solids ("TSS") limits. This would necessitate the addition of a secondary clarifier downstream from the final lagoon cell, which would also require the addition of a clarifier feed pump station. There is adequate space on the existing site for the construction of an MBBR, secondary clarifier, and a pump station.

- Adding In-Situ fixed film and an MBBR will necessitate the addition of a duplex regenerative blower system for IFF aeration/clarifier waste activated sludge (“WAS”) and scum airlifts, and a duplex positive displacement (“PD”) blower system for MBBR aeration (likely 10-foot depth) to provide enough oxygen to meet demands.
- The new blower control panels should be equipped with variable frequency drive (“VFDs”), allowing the blowers to be throttled upwards or downwards as necessary to increase energy efficiency. This will help to reduce operational costs over time.
- New recycle airlift from cell 3 to cell 1. Benefits of adding a recycle stream include:
 - o Improved hydraulic retention time and reduced lagoon short-circuiting;
 - o Empirical results show that kinetics are improved with the addition of a recycle;
 - o The recycling of residual dissolved oxygen;
 - o Dilution of the wastewater in primary stage of treatment, introducing a higher nitrifier content than would naturally be present in the primary stage; and
 - o A dedicated chlorine tablet feeder and chlorine contact chamber will need to be installed to provide disinfection capabilities.

The estimated costs for the sewer system improvements at Hurdland 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 repairs and improvements during a future rate case to be filed by Confluence. As discussed above for the Baring Area Wastewater Treatment Facility, Confluence provided a response to Staff Data Request Nos. 0027 and 0028 on the process they will use to evaluate which upgrades are necessary.

During Staff's inspection of the Hurdland WWTF, Staff observed transfer piping between the lagoon cells, which provides operational flexibility for moving and balancing flows. Staff also noted that the engineering memorandum referenced electrical power at the site; however, neither Staff nor Confluence personnel found any evidence that power was available.

Because of this, discussions centered on the feasibility of using a solar-powered flow meter to allow for improved monitoring despite the absence of traditional electrical service. Low flow conditions were observed during the visit, which can make it difficult to accurately measure flows with traditional monitoring equipment, reinforcing the importance of reliable monitoring equipment.

Similar to Baring, Staff and Confluence identified a consistent set of early corrective actions should the system be acquired. These include spraying vegetation on the lagoon berm riprap, updating existing signs and installing additional signage where necessary, and installing a flow meter prior to the outfall to ensure accurate flow measurement. These improvements are viewed as necessary to enhance operational control and support consistent regulatory compliance.

Newark Wastewater Treatment Facility – Background

The Newark WWTF (permit number MO-0129976) consists of a three-cell storage lagoon system with subsurface land application, designed for an average flow of 11,000 gpd and a population equivalent of 95. Raw sewage is conveyed by a force main into an influent manhole to the west of the first lagoon cell. The hydraulic depth of the first and second cells can be set utilizing the level control structures. The third cell is equipped with an additional invert pipe in its level control structure.

Lagoon effluent flows by gravity from the third cell level control structure to a concrete wet well with a duplex dosing pump system used to convey treated wastewater to the drip field. There is an Amiad Spin Klin filtration system located downstream of the wet well within the building. The system includes filters and solenoid valves allowing filter backwash. The site was last inspected by MDNR on January 11, 2023. MDNR found the facility generally well maintained, with riprapped berms, adequate freeboard, operational irrigation pumps, and no evidence of surfacing wastewater or system leaks. The system maintains an Operations and Management (“O&M”) manual and a collection system maintenance program.

The inspection noted that the facility had a previous late DMR submission (March 2022), but that deficiency had already been addressed, and no further action was required. The collection system inspection identified several manholes with minor solids accumulation but no structural concerns, and the lift station appeared to be functioning properly. Overall, the Newark WWTF was found to be in compliance with its operating permit, with recommendations focused on long-term planning, budgeting, asset management, and routine sludge evaluation rather than corrective actions

According to Appendix to F-C submitted with the Application, the engineering memo recommended the following:

Initial Triage Improvements Proposed

- Install an ultrasonic level transducer at the point of measurement in the v-notch weir plate for flow data acquisition, as well as a remote monitoring system to record the data prior to system improvements;
- Sludge levels in the lagoon should be evaluated to determine if removal costs need to be included in the initial budgets;
- Install a manual transfer switch to allow for the use of a generator quick connect for use in emergency situations; and
- The filter and zone valve building will need minor renovations.

WWTF Recommended Improvements

- Based on the information available to us, we believe that the plant is currently capable of operating properly as it is currently with no issues;
- Inspection of existing zone valves to ensure working conditions; and
- Any leaking laterals causing ponding within the field should be inspected/fixed.

At the time of the site visit there were no issues with leaks or ponding.

The estimated costs for the sewer system improvements at Newark 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 repairs and improvements during a future rate case to be filed by Confluence. Based on its current understanding of the systems, Staff considers the proposals for system repairs and improvements to be reasonable for providing safe and adequate service.

At the Newark WWTF, Staff inspected the emergency discharge location and the structure housing the drip irrigation equipment. This building appeared to be poorly maintained and lacked routine maintenance. Staff observed significant accumulations of dead flies on the counters and around the interior, suggesting infrequent use or upkeep. Staff and Confluence personnel discussed that the filters for the drip irrigation drain fields have likely never been replaced and would likely need servicing or complete replacement if Confluence acquires the system.

Outside the building, Staff observed that the grounds needed general cleanup, including clearing fence rows, improving site housekeeping, and spraying vegetation from the riprap areas. The drip field appeared to be in good condition with no visible areas of ponding. Staff and Confluence also agreed that updated or additional signage identifying the site as a wastewater treatment facility would be appropriate. These actions were identified as necessary initial steps to restore functionality, improve safety, and bring the site up to a standard consistent with Confluence's operating practices.

Service Area

Confluence submitted both a service area map and legal description for each of the Baring, Hurdland, and Newark individual service areas, with the Application as Appendices H-1, H-2, and H-3, and G-1, G-2 and G-3, respectively. Staff reviewed these documents and determined that they are 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 data requests, Confluence's Application, which included sale agreement documents, and Confluence's workpapers. Normally, the Auditing Department would review plant-in-service records maintained by the county for its wastewater systems to determine the current net book value of its assets. However, in this case, the Auditing Department was unable to do this due to lack of adequate records kept by the county.² Confluence is seeking to acquire three small wastewater systems from Consolidated Public Water Supply District No. 1 of Knox County in the amount of ** [REDACTED] ** or remaining balance of the USDA loan; whichever is the lesser amount.³

Staff recommends that the purchase price of the Systems' being acquired as of September 3, 2024, be used to determine the rate base in this case. To determine this value, Staff reviewed the documentation provided by Confluence and considered whether plant facilities or money was contributed by customers or land developers. Staff's analysis determined there was no indication that plant facilities or money has been contributed by customers or land developers. Thus, there is no Contribution in Aid of Construction ("CIAC") to consider in this case. Without proper documentation from Knox County to determine the net book value for Systems' assets, Staff determined the appropriate net book value of the Systems' being acquired to be equal to the purchase price of ** [REDACTED] ** or remaining balance of the USDA loan; whichever is the lesser amount.

2 Staff attempted to work with Knox County to obtain this information. In a conference call on June 11, 2026, Knox County indicated they had documentation relating to the installation and original cost of the three sewer systems in this acquisition case and offered to send it to Staff. On June 17, 2026, Staff received an email with a copy of the USDA loan origination documents, but there was no payoff amount listed. In that email, it stated they were working on scanning more documents and that the additional documents would be sent. Since then, Staff has made several attempts to follow up, however, nothing further has been sent.

3 The *Application* did not include this payoff amount. During the conference call on June 11, 2026, Knox County stated they had requested a payoff amount for the loan from the Federal government but had not received a response. As of the filing of this recommendation, the payoff amount is still unknown.

Staff's attempts to calculate rate base in a CCN case to determine whether the purchase price is reasonable, and to determine if an acquisition premium exists. If the Commission approves Confluence's request in this case, an updated rate base level will be established when Confluence files its next rate case for these systems. If Confluence provides additional information, Staff will revise its rate base calculation as part of determining the revenue requirement. Because rate base will be established in the rate case, Staff's position is that approval of the CCN with a purchase price of ** [REDACTED] ** or less is reasonable.

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 Knox County, and to upgrade, own, operate, maintain, and otherwise manage those systems. The purchase price of the acquisition is ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **, ⁴ with a total estimated project cost of ** [REDACTED] **, ⁵

Confluence has stated that it possesses "the financial strength and resources necessary to make any expenditures and investments required to maintain the systems."⁶ In conducting this review, Staff used the maximum stated purchase price of ** [REDACTED] ** in conjunction with the total estimated project cost of ** [REDACTED] ** when evaluating Confluence's financial capability.

4 Appendix A-C The Application.

5 Appendix I-C, The Application.

6 Paragraph 33, The Application.

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.⁷ Borrowed funds are classified by Confluence as "Payable to Associated Companies" on its balance sheet.⁸ 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.⁹

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.¹⁰ 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.¹¹

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 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:¹²

7 Confluence's response to Data Request No. 0001.

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

9 Ibid.

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

11 Ibid.

12 Confluence's response to Data Request Nos. 0001, No. 0002, and Malki's Workpaper.

Confluence Rivers

	As of March 31, 2026 Financial Risk				Pro Forma Financial Risk			
Debt/EBITDA (x)	**	████	**	Significant	**	████	**	Significant
Debt/Capital (%)	**	████	**	Modest	**	████	**	Modest

CSWR

	As of March 31, 2026 Financial Risk				Pro Forma Financial Risk			
Debt/EBITDA (x)	**	████	**	Highly Leveraged	**	████	**	Highly Leveraged
Debt/Capital (%)	**	████	**	Aggressive	**	████	**	Aggressive

A review of Confluence’s and its parent company’s financial ratios shows mixed pro forma changes. Confluence’s Debt-to-Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) ratio decreases slightly on a pro forma basis but remains classified as “Significant,” indicating a relatively elevated level of debt relative to earnings. Confluence’s Debt-to-Capital ratio also decreases on a pro forma basis and remains classified as “Modest.” By contrast, CSWR’s Debt-to-EBITDA ratio increases slightly on a pro forma basis and remains classified as “Highly Leveraged,” while CSWR’s Debt-to-Capital ratio decreases minimally and remains classified as “Aggressive.”

Taken together, these metrics indicate that both Confluence and CSWR continue to maintain elevated leverage profiles, particularly when considered alongside their negative operating cash flow.¹³ Such profiles may be more sensitive to changes in financing

13 S&P Global, “Methodology: Business Risk/Financial Risk Matrix Expanded”, Published Septe
<https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/7549527>.

conditions and borrowing costs than those of utilities generating positive internal cash flow and maintaining stronger cash flow-based credit metrics.¹⁴

Because both Confluence and its parent report negative Funds From Operations (“FFO”), their FFO-to-Debt ratios are negative.¹⁵ A negative FFO-to-Debt ratio is atypical, as this metric is generally positive.¹⁶ 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 financing.¹⁷ 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 2025–2029, Confluence projected total capital expenditures for the period of approximately ** [REDACTED] **, which averages roughly ** [REDACTED] **, per year.¹⁸ CSWR showed an average annual capital expenditure for the period of 2023-2027 of ** [REDACTED] **. ¹⁹ The total purchase price of the merger respectively represents less than 7% and 1% of Confluence’s and CSWR’s projected average annual capital

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

15 Ibid.

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

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

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

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

expenditures.²⁰ Similarly, the total estimated project cost is less than 25% of Confluence’s projected average annual capital expenditures and less than 2% 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.²¹

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.²² 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.²³

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 merger and acquisition (“M&A”) cases, seven of which involved joint sewer and water systems.²⁴

The total purchase cost for all 21 of Confluence’s most recent CCN and M&A cases is approximately ** [REDACTED] **, ²⁵ which is roughly 26% Confluence’s total projected capital expenditures for the period 2024–2029, but less than 11% of CSWR’s average annual

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

21 Confluence’s response to Data Request Nos. 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.

22 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>.

23 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>.

24 Malki’s Workpaper.

25 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.

projected capital expenditures from 2023-2027. The total estimated project cost of Confluence's 21 CCN and merger and acquisition cases filed between fiscal years 2023-2026, including this case, is approximately ** [REDACTED] **. ²⁶ 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 merger 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 notes that the pro forma financial ratios of Confluence and CSWR do not materially deteriorate as a result of this transaction, Staff remains concerned by the companies' overall financial profile. In particular, the combination of sustained negative net income, persistent negative FFO, acquisition-driven growth, and continued reliance on parent-funded capital 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. ²⁷

²⁶ 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.

²⁷ Confluence's response to Data Request Nos. 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.

In addition, since fiscal year 2023, Confluence has filed approximately 21 CCN, acquisition, or merger cases, each of which has required some degree of parent-level financial support.²⁸

Although the projected cost of this acquisition does not appear to materially impair CSWR's ability to provide financial support, the broader pattern of transaction activity, ongoing capital commitments, and continued reliance on external funding warrants continued regulatory attention. In particular, sustained reliance on parent-funded capital and other external financing may increase the likelihood of future rate proceedings to support capital recovery, especially if financing costs rise, acquisition activity continues at a similar pace, or operating 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 Knox County sewer system. Nevertheless, Staff emphasizes that continued monitoring of capital structure, operating cash flow, acquisition activity, and both Confluence and CSWR's overall 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 6, 2026, Confluence Rivers mailed notice to the residents served by Knox County notifying them of the proposed acquisition.²⁹ Confluence is not aware of any other communication, notices, or publicity regarding the proposed acquisition.

The Commission received six (6) public comments in this case, reflecting concerns with the proposed changes in rates as well as the operating practices of the present owners of the sewer system.

²⁸ Malki's Workpaper.

²⁹ SA-2026-0248, Item No. 3, *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, Missouri 63131. Customers will be able to contact Confluence's 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, 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. 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 Check Free Pay.

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's policy is to maintain voice recordings of all calls for one year and other logs and correspondence for five years. Records of all complaints and investigations are maintained in Confluence's Customer Information System database.

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

Rate and Tariff Matters

In its Application, Confluence proposes to adopt Knox County's current system rates of \$35 for the Systems, per month, per connection, and to utilize the rules, regulations and all other service charges contained within Confluence's Commission approved sewer tariff P.S.C. MO No. 31.

Confluence shall submit tariff sheets, applicable to the Baring Area, Hurdland, and Newark systems, to be effective before closing on the assets, to include a service area map, service area legal written description, rates, and all other applicable revisions in its Electronic Filing Information System ("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 the three wastewater systems 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

Financial Analysis determined there is no evidence that CSWR is not currently able to provide the necessary financial support for Confluence to undertake the proposed acquisition and improvements. Therefore, 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 substantial experience purchasing and rehabilitating systems that are beyond their useful life. Staff further discussed Confluence's technical and managerial capacity above.

(3) Applicant's Financial Ability

Staff find no evidence that Confluence, with the assistance of its parent company, CSWR, is not financially capable of acquiring the Systems.

(4) Economic Feasibility of the Proposal

The fourth Tartan Criteria calls for an evaluation of the economic feasibility of the proposal.³⁰ While Confluence has provided a simplified economic feasibility study based on costs and forecasted revenues over the next three years, Staff does not have sufficient information to evaluate the reasonableness of all the assumptions that underpin Confluence's analysis, and Confluence will not fully understand what operational changes/upgrades are needed until it operates the Systems for an extended period. However, Staff reviewed the projections for the rates used in the feasibility study and found them to be reasonably forecasted. There is clearly a need for service, and an economic benefit to upgrading the wastewater treatment facilities to maintain compliance not only for the current customers and residents, but for the environment and future populations as well.

30 The 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>.

Part of Confluence's feasibility relies on rate increases in years two and three of the project. The forecasted rate for year two is approximately \$74.9448 and the forecasted rate for year three is approximately \$79.8900. These forecasted rates are a little over double the current rate charged to customers by Knox County. Under present tariff districts this system would fall into Confluence's District 1 sewer rate as the system uses lagoon technology, and that present rate is \$60.21. Until Confluence completes its next rate case and this system is absorbed into a larger tariff district, future rates cannot be known. The absorption of this system into one of the larger districts would allow customers to benefit from a large customer base that would limit rate impacts.

(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 acquisition of utility assets by Confluence Rivers is necessary and convenient for the public service. Staff therefore recommends that the Commission authorize the acquisition of Knox County assets by 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:

Authorize the transfer of the Knox County Baring Area, Hurdland, and Newark wastewater utility assets to Confluence; and grant Confluence CCNs upon closing on the respective Systems;

Approve Confluence adopting the current \$35 flat rate per month for System 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;

Require Confluence to submit tariff sheets applicable to the Baring Area, Hurdland, and Newark 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.

Require Confluence to work with Staff of the Water, Sewer, Gas, and Steam Department to provide digital mapping data in a shapefile format for the proposed service areas within thirty (30) days of closing on the assets.

Require Confluence to notify the Commission of closing on the assets within five (5) days after such closing;

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 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 determines that the transfer of the assets will not occur;

If Confluence determines that a transfer of the assets will not occur, require Confluence 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 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;

Require Confluence to provide training to its call center personnel regarding rates and rules applicable to the customers acquired from Knox County, prior to the customers receiving notification of the pending acquisition;

Require Confluence to distribute to the newly acquired customers, prior to the first billing from Confluence, an informational brochure detailing the rights and responsibilities of the utility and its customers regarding its utility service, consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;

Require Confluence to provide to the Customer Experience Department (“CXD”) Staff a sample of its actual communication with its newly acquired customers regarding its acquisition and operations of the utility assets, and how customers may reach Confluence, within ten (10) days after closing on the assets;

Require Confluence to provide to the CXD Staff a sample of five (5) billing statements for the acquired company from the first month’s billing within ten (10) days of such billing;

Require Confluence to file notice in this case once the Staff Recommendations regarding staff training, informational brochure, communications, and billing are completed for the acquired wastewater systems within ten (10) days after such communications and notifications.

Require Confluence to include the wastewater 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.

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)
Company, Inc. for a Certificate of)
Convenience and Necessity to Provide) Case No. SA-2026-0248
Sewer Service In an Area of Knox County,)
Missouri (Consolidated Public Water)
Supply District No. 1 of Knox County,)
Missouri))

AFFIDAVIT OF SHERRYE LESMES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

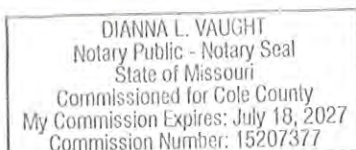
COMES NOW SHERRYE LESMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Sherrye Lesmes
SHERRYE LESMES

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 28th day of July 2026.



Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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Confluence Rivers Utility Operating)
Company, Inc. for a Certificate of)
Convenience and Necessity to Provide) Case No. SA-2026-0248
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Missouri (Consolidated Public Water)
Supply District No. 1 of Knox County,)
Missouri))

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.

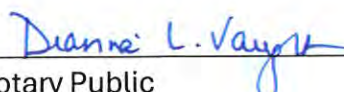


KELLI MALKI

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 29th day of July 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

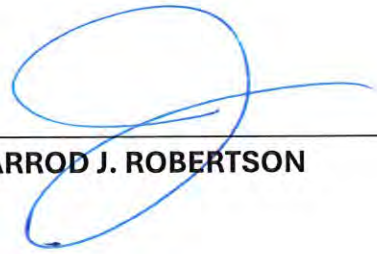
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Missouri (Consolidated Public Water)
Supply District No. 1 of Knox County,)
Missouri))

AFFIDAVIT OF JARROD J. ROBERTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JARROD J. ROBERTSON 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.

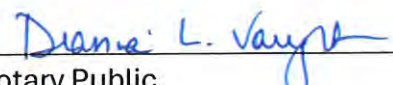


JARROD J. ROBERTSON

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 29th day of July 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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Sewer Service In an Area of Knox County,)
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Supply District No. 1 of Knox County,)
Missouri))

AFFIDAVIT OF CHAD STEPHENSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CHAD STEPHENSON 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.

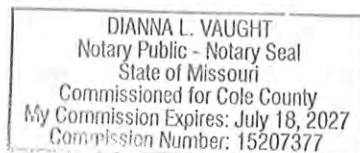
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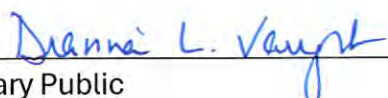


CHAD STEPHENSON

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 28th day of July 2026.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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Missouri))

AFFIDAVIT OF CHARLES TYRONE THOMASON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

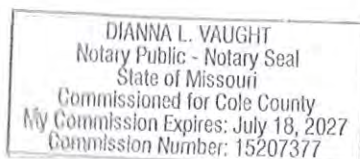
COMES NOW CHARLES TYRONE THOMASON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

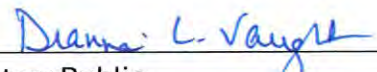
Further the Affiant sayeth not.


CHARLES TYRONE THOMASON

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 29th day of July 2026.




Notary Public