MEMORANDUM

TO: Missouri Public Service Commission
Official Case File, File No. SM-2026-0369

FROM: Ashley Sarver – Auditing Department
Scott J. Glasgow – Customer Experience Department
Johnny Garcia – Financial Analysis Department
Jarrod J. Robertson – Water, Sewer, Gas, & Steam Department
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/s/ *Jarrod J. Robertson* / 09-28-2026
Case Manager / Date

SUBJECT: Recommendation of Approval of Requested Transfer of Assets

DATE: September 28, 2026

CASE BACKGROUND

Effective July 15, 2025, Central States Water Resources, Inc. ("CSWR") entered into an *Agreement for Sale of Utility System* ("Agreement") with Cannon Home Association, Inc. ("Cannon Home").

On June 23, 2026, Confluence Rivers Utility Operating Company, Inc. ("Confluence") and Cannon Home filed a *Joint Application and Motion for Waiver* ("Application") with the Missouri Public Service Commission ("Commission"). In the Application, Cannon Home proposes to sell, and Confluence proposes to purchase the Cannon Home wastewater system ("System").

On June 25, 2026, the Commission issued its Order Directing Notice, Setting an Intervention Deadline, and Directing Staff to File a Pleading, which set July 15, 2026, as the deadline for applications to intervene and directed Staff to file, no later than July 22, 2026, a pleading indicating when it could file a recommendation regarding the Application. As of today, no applications to intervene have been filed in this case. On July 17, 2026, Confluence filed a *Notice of Mailing*, indicating it had mailed the Customer Notice to Cannon Home customers on July 15, 2026.

On July 22, 2026, Staff filed *Staff's Suggested Report and Recommendation Deadline*, requesting a filing date 60 days after July 22, 2026.

On July 23, 2026, the Commission filed its *Order Directing Staff to File a Recommendation and Setting Time of Responses*, which set a deadline of September 21, 2026, for Staff to file its recommendation, and any responses to Staff's recommendation or Confluence's CCN application must be filed no later than October 2, 2026.

On September 23, 2026, Staff filed *Staff's Request for Deadline Extension*, requesting a one-week extension to file its recommendation. On September 23, 2026, the Commission filed its *Order Granting Staff Motion for an Extension of Time to File a Recommendation and Extending the Time for Responses*, setting the deadline for Staff to file its recommendation no later than September 28, 2026, and responses to Staff's recommendation due no later than October 9, 2026.

BACKGROUND OF CANNON HOME

The Cannon Home wastewater system is located in Ralls County, on the south side of Mark Twain Lake and provides sewer service to three distinct areas, Mark Twain Estates, Lick Creek Estates, and Timber Ridge Resort. Water service is provided by Cannon Water District #1. These service connections consist of single-family homes, rental cabins, a pool, a restaurant, and a store. The System runs year-round and consists of a no-discharge storage and irrigation system and approximately 35,000-square-foot, 7-foot-deep, single-cell lagoon, in which sludge remains. The wastewater system also includes 9 acres of land for application to the west of the lagoon, and an additional 25 acres of land for application currently under lease.

BACKGROUND OF CONFLUENCE

Confluence Rivers is a Missouri corporation with its principal office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131. Confluence Rivers is a Missouri corporation in good standing, and a subsidiary of CSWR. A certified copy of Confluence Rivers' certificate of good standing was filed in File No. WM-2018-0116 and is incorporated herein by reference. Confluence Rivers provides water service to approximately 6,500 connections and sewer service to approximately 7,400 connections in the State of Missouri, pursuant to certificates of convenience and necessity previously granted by the Commission. Confluence Rivers 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 and Company personnel observed the sewer system during the onsite visit on August 18, 2026. Materials and equipment used were appropriate and the plant appeared to be operating well and performing as required.

Besides being regulated by the Commission, Cannon Home is also regulated by the Missouri Department of Natural Resources ("DNR"). As a result, DNR issued Cannon Home a National Pollutant Discharge Elimination System ("NPDES") permit, Permit No. MOG823163. This permit was issued on December 1, 2022, and expires on August 24, 2027. This NPDES permit includes specific legal and technical limits, monitoring rules, and operational requirements for this wastewater treatment facility. The NPDES permit describes the facility as a no-discharge single-cell lagoon treatment facility with a design flow of less than 50,000 gallons per day. Wastewater from the lagoon is land applied via large mobile sprinkler guns to land both owned and leased by Cannon Home to prevent discharging into a nearby body of water.

In addition to issuing Cannon Home a NPDES permit, DNR also conducts routine compliance inspections. DNR last inspected Cannon Home on May 2, 2022. The inspection found Cannon Home to be in non-compliance because it failed to submit timely Discharge Monitoring Reports ("DMR") for the October 2020 reporting period. All DMRs are to be submitted by the 28th day of the month following the monitoring period. Cannon Home has submitted each DMR since October 2020 on a timely basis, with the exception of the DMR for the December 2022 reporting period, which was also submitted late. DNR did not find any operational concerns during its inspection.

Proposed Improvements

During Staff's investigation, it issued Data Request ("DR") No. 0033 to Confluence, which requested information regarding:

1. Any planned maintenance, repairs and upgrades Confluence has determined may be necessary the first five years after purchase, and justification for each listed planned investment;
2. A possible soil study Confluence may pursue to determine if alternative land application methods are viable.

Per Confluence's response to this DR, Confluence "anticipates performing various maintenance, repair, rehabilitation, and upgrade activities necessary to operate the

Cannon Home wastewater system in a safe, reliable, and environmentally compliant manner." The specific tasks will depend on conditions found after acquisition and ongoing company inspections and evaluations. Expected work includes "evaluation and management of lagoon sludge accumulation, routine lagoon and site maintenance, maintenance or repair of lagoon berms and fencing, installation of flow monitoring and remote monitoring equipment, electrical service improvements, backup power provisions, and maintenance or replacement of equipment associated with the wastewater irrigation system." For the collection system, anticipated tasks include maintaining or replacing lift station pumps, controls, valves, and pipelines as needed. Remote monitoring will be added at each lift station. In addition, Confluence states they may also install "fencing and security improvements at lift stations, cleaning and inspection of lift station facilities, implementation of remote monitoring and alarm systems, development of Geographic Information System ("GIS") mapping, and investigation of infiltration and inflow through flow monitoring, smoke testing, and video inspection."

Staff finds these planned investigations and potential improvements reasonable. As Confluence stated in their response to Staff's DR No. 0033,

> ...lagoon maintenance and rehabilitation activities, including sludge evaluation and management, berm maintenance, vegetation control, and irrigation system maintenance, help preserve the treatment and storage capacity of the lagoon, maintain the effectiveness of the land application process, and support ongoing compliance with applicable permit requirements...Flow monitoring, remote monitoring, and operational assessment activities provide operators with information necessary to understand system performance, identify operational issues including inflow and infiltration, evaluate future needs, and respond more effectively to system conditions...Electrical system improvements and backup power provisions improve system reliability and resiliency by reducing the risk of service interruptions caused by power outages or aging electrical equipment...Collection system and lift station improvements, including repair or replacement of pumps, controls, valves, force main components, and related equipment, help maintain reliable wastewater conveyance throughout the system...Remote monitoring equipment installed at lift stations will improve operational awareness of equipment status at lift stations...GIS mapping, smoke testing, flow monitoring, and video inspection activities are intended to better understand the condition

> of the collection system and identify infiltration and inflow sources, maintenance needs, and future rehabilitation priorities…Fencing, security improvements, and site maintenance activities help protect utility assets, improve worker and public safety, and facilitate operator access for routine maintenance and emergency response activities.

In Confluence's response to Staff's DR 0033, Confluence also confirmed that it will pursue a soil study "to evaluate site-specific soil conditions and determine whether alternative land application methods, including subsurface drip irrigation, may be feasible for the facility." Cannon Home currently uses large mobile sprinkler guns to land apply treated wastewater onto nine acres of land west of the lagoon that is owned by Cannon Home and an additional 25 acres of land to the east of the lagoon that is currently leased from Pyramid Commercial LLC. The information obtained from the soil study would be used to determine the type(s) of soil present, to better understand long-term operational and land application alternatives available, such as determining if less land is required for land application, depending on the available application method, and to support future engineering and operational decision-making.

Financial Analysis

Staff evaluated whether Confluence has the financial capability to acquire the unregulated sewer system assets of Cannon Home 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] **.[1] Confluence has stated that it possesses "the financial strength and resources necessary to make any expenditures and investments required to maintain the systems."[2]

Staff reviewed the financial information of Cannon Home, the company involved in the proposed acquisition, to identify any material financial obligations or other financial considerations associated with the transaction. Cannon Home's 2025 annual report identifies three outstanding loans totaling less than ** [redacted] **, which is less than the proposed purchase cost of the acquisition.[3] Although Cannon Home reported a minimal net loss in 2025, it reported positive net income from 2022 through 2024.[4]

[1] Appendix B-C and I-C, The Application.

[2] Paragraph 27, The Application.

[3] Cannon Home's Annual Reports.

[4] Ibid.

Based on Staff's review, Staff did not identify any material debt obligations or other financial conditions of Cannon Home that would be expected to materially affect Confluence's financial capability to complete the proposed acquisition. Confluence has also stated that it does not expect any goodwill to result from the proposed acquisition and has provided an Acquisition Premium calculation in Appendix K-C.[5] The appropriate ratemaking treatment of any acquisition premium or other intangible asset associated with this acquisition will be determined in a future rate proceeding.

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.[6] Borrowed funds are classified by Confluence as "Payable to Associated Companies" on its balance sheet.[7] 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.[8] Since Q1 2020, Confluence's "Payable to Associated Companies" balance has increased by approximately five times, reflecting Confluence's increasing reliance on funding from affiliated companies.[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

[5] Confluence's response to DR No. 0006.
[6] Confluence's response to DR No. 0001.
[7] Confluence's response to DR No. 0007.3 as a part of case WF-2023-0023.
[8] Ibid.
[9] Confluence's response to DR No. 0007 and Garcia's work paper.
[10] Confluence's response to DR No. 0010.
[11] Ibid.

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]

Confluence Rivers

	As of March 31, 2026		Financial Risk	Pro Forma		Financial Risk
Debt/EBITDA (x)	** [redacted] **		Highly Leveraged	** [redacted] **		Highly Leveraged
Debt/Capital (%)	** [redacted] **		Modest	** [redacted] **		Modest

CSWR

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

A review of Confluence's and its parent company's financial ratios shows mixed pro forma changes. Confluence's and CSWR's Debt-to-Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") ratios both increase slightly on a pro forma basis but remain classified as "Highly Leveraged," indicating a relatively elevated level of debt relative to earnings. Confluence's Debt-to-Capital ratio decreases on a pro forma basis and remains classified as "Modest," 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

[12] Confluence's response to DRs No. 0001, No. 0002, and Garcia's Workpaper.

operating cash flow.[13] Such profiles may be more sensitive to changes in financing 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 2024–2029, 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 acquisition respectively represents less than 2% and 1% of Confluence's and CSWR's projected average annual capital

[13] S&P Global, "Methodology: Business Risk/Financial Risk Matrix Expanded", Published September 18, 2012: https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/7549527.

[14] S&P Global, "Guide to Credit Rating Essentials", Published 2024: https://www.spglobal.com/content/dam/spglobal/ratings/en/documents/pdfs/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 DR No. 0004 as a part of Case No. WA-2026-0054, and Garcia's workpaper.

[19] Confluence's response to DR No. 0183 as a part of Case WR-2023-0006.

expenditures.[20] Similarly, the total estimated project cost is less than 8% 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 historically been able to obtain funding necessary to support acquisition- and merger-related expenditures. However, both Confluence and CSWR have consistently reported negative net income and retained earnings from Q1 2020 to the present, as well as in the pro forma projections.[21] Confluence's negative retained earnings have deteriorated by more than $13 million since Q1 2020, while CSWR's negative retained earnings have increased by approximately $120 million over the same period. This continued deterioration in retained earnings indicates that neither Confluence nor CSWR has generated sufficient cumulative earnings to offset prior losses or materially strengthen its equity position.[22]

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.[23] 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.[24]

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 ("A&M") cases, seven of which involved joint sewer and water systems.[25]

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[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 DRs No. 0001, No. 0002, & No. 0002.1 as a part of Case No. WA-2023-0398 and Confluence's response to DR No. 0001 as a part of Case No. WA-2026-0054.

[22] Confluence's response to DR No. 0007 and Garcia's work paper.

[23] 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.

[24] 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.

[25] Garcia's Workpaper.

The total purchase cost for all 22 of Confluence's most recent merger and acquisition cases is approximately ** [redacted] **,[26] which is roughly 27% of 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 22 merger and acquisition cases filed between fiscal years 2023–2026, including this case, is approximately ** [redacted] **.[27] This amount is approximately 74% 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 22 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. This reliance is further reflected in the substantial increase in Confluence's "Payable to Associated Companies" balance, which has increased fivefold since Q1 2020.[28] 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, deteriorating negative retained earnings, persistent negative Funds From Operations ("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

[26] Garcia'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.

[27] Garcia'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.

[28] Confluence's response to DR No. 0007 and Garcia's work paper.

and negative FFO from 2020 through the present, including on a pro forma basis.[29] In addition, Confluence's "Payable to Associated Companies" balance has increased approximately fivefold since Q1 2020, while the negative retained earnings of Confluence and CSWR have deteriorated by more than $13 million and approximately $120 million, respectively.[30] Since fiscal year 2023, Confluence has filed approximately 22 merger and acquisition cases, each of which has required some degree of parent-level financial support.[31]

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 Cannon Home sewer system. Nevertheless, Staff emphasizes that continued monitoring of capital structure, operating cash flow, acquisition activity, affiliate financing balances, retained earnings, 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.

Rate Base

Staff reviewed information provided by Confluence in response to Staff's data requests, Confluence's Application with the included sale agreement documents, and work papers. Staff also reviewed Cannon Home's Annual Reports to determine the current net book value of the wastewater system assets that Confluence intends to acquire.

Staff used the rate base balances as of March 31, 2016, and the Commission approved depreciation rates from the most recent rate case SR-2016-0122. Staff reviewed the annual

[29] Confluence's response to DRs No. 0001, No. 0002, & No. 0002.1 as a part of Case No. WA-2023-0398; Confluence's response to DR No. 0001; and historical financial statements for fiscal years 2020-2025.
[30] Confluence's response to Staff DR No. 0007 and Garcia's work paper.
[31] Garcia's Workpaper.

reports for plant additions and retirements to determine the updated plant in service, depreciation reserve, Contributions in Aid of Construction ("CIAC") and CIAC amortization balances through June 30, 2026.

The chart below summarizes Staff's recommended net book value for Cannon Home as of June 30, 2026:

Plant in Service	$506,002
Less: Depreciation Reserve	$446,102
Net Plant	$59,990
CIAC	$365,957
Less: CIAC Amortization	$365,957
Timber Ridge CIAC	$10,369
Less: Timber Ridge Amortization	$10,369
Net CIAC	$0
Total Net Book Value / Rate Base	**$59,900**

Acquisition Accounting

Confluence entered into a purchase agreement in order to acquire the wastewater system assets of Cannon Home. According to Confluence, the final purchase price of the system was the result of arm's length negotiations, where each party approved a purchase price that is agreeable to its own interests.

The accounting industry also commonly refers to the amount of purchase price over book value as an acquisition premium (or if the book value exceeds the purchase price, an acquisition discount). If the acquisition transactions at the center of this case were to close on June 30, 2026, the system would have the following acquisition premium:

Purchase Price ** [redacted] **

Net Book Value $59,900

Acquisition Premium ** [redacted] **

Confluence is not seeking regulatory treatment for acquisition premiums or discounts as part of the current application, but Confluence Rivers intends to seek recovery of a premium associated with this transaction in future rates. The purchase price is a management decision of the Company and paying over net book value (Staff's recommended rate base

amount) for a system that needs repairs and upgrades, could negatively affect the feasibility of the proposal if Confluence requests an acquisition premium in a future rate case. However, Staff finds that deferral of ratemaking decisions related to the purchase price is not detrimental to the public interest because a rate case is the proper venue to consider all relevant factors.

Staff recommends that the Commission explicitly order Confluence to adhere to the acquisition accounting guidance provided in the Uniform System of Accounts ("USOA") so that a request for rate recovery can be properly audited in Confluence's next rate case. Plant Instruction No. 5 of the Commission-approved USOA provides guidance on how to record the acquisition of utility systems. This instruction describes how the cost of the acquisition should be charged to various rate base accounts as well as accounts that generally do not affect the ratemaking revenue requirement; including Account 114 – Utility Plant Acquisition Adjustments. In function, this account holds the difference between the net book value of assets acquired and the purchase price of those assets.

Confluence shall initially establish net book value for the wastewater system as of June 30, 2026, utilizing Staff's calculation of net book value. Staff recognizes there may have been additions/changes since the date. The final rate base amount as of the date of acquisition will be reviewed in Confluence's next general rate case.

Publicity and Customer Notice

Commission Rule 20 CSR 4240-60.050(2) states that, "If the application is for a service area where service is currently provided by an existing sewer system, notice shall be provided to all potential customers within the designated service area within twenty (20) days after the filing of an application for a certificate of convenience and necessity." CSWR filed its Application on June 23, 2026, and according to CSWR's "Notice of Mailing", CSWR mailed the required notice to each of the customers of record on July 15, 2026, twenty-two (22) days after its application.

Staff reviewed the customer notification, and it contained the required information found in 20 CSR 4240-60.050(2). As of the filing of this report, there have been no public comments filed in this case.

Customer Service and Billing

The business office for CSWR is located at 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131 with operating hours from 8:00am to 5:00pm Monday - Friday. Customers will be able to contact CSWR'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@CSWRriversuoc.com. The emergency number, website and email are available 24/7. According to CSWR, this information will be provided on the customer brochure, the website, and in all written materials that will be sent to customers. Additionally, main office customer service personnel are available to be contacted after hours for emergency calls.

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

CSWR will utilize its standard billing process. Bills will be calculated near the first week of each month by Billing Specialists using CSWR's 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. CSWR does not collect or require customer deposits from either new or existing customers.

Rate and Tariff Matters

In its Application, Confluence proposes to adopt the existing Cannon Home tariff and rates, which consists of a $33.56 monthly customer charge that includes the first 1,000 gallons of water use and an additional $6.99 per 1,000 gallons for each additional 1,000 gallons. Confluence also proposes 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 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 CCNs involving existing regulated water and/or sewer systems, Staff utilizes the concepts of technical, managerial, and financial capacity, or "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 customers and sewer service to approximately 7,400 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 the Cannon Home wastewater system.

Managerial Capacity

Confluence intends to incorporate the 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 systems, Confluence has demonstrated the requisite managerial abilities to operate the Cannon Home wastewater system.

Financial Capacity

Confluence has the financial capacity to acquire and operate the 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 and operate the wastewater system 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. Staff further discussed Confluence's technical and managerial capacity above.

(3) Applicant's Financial Ability

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

(4) Economic Feasibility of the Proposal

The fourth Tartan Criterion calls for an evaluation of the economic feasibility of the proposal.[32]

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 support Confluence's analysis, and Confluence will not fully understand what operational changes/upgrades are needed until it operates the System for an extended period. However, there is clearly a need for service, and an economic benefit to addressing any necessary upgrades at the wastewater

[32] https://dictionary.cambridge.org/us/dictionary/english/economic-feasibility?q=Economic+Feasibility.

treatment facilities in order to maintain compliance not only for the current customers and residents, but for the environment and future populations as well.

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 future 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, is current on its annual reports, and is in good standing with the Secretary of State's office. Cannon Home is current on its sewer PSC assessment payments, is current on its annual reports, and is in good standing with the Secretary of State's office. Neither company has a 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 not detrimental to the public interest. Staff therefore recommends approval of the transfer of assets of Cannon Home, transfer of the affected CCNs, subject to the conditions and actions as outlined herein:

1. Authorize Cannon Home to sell and transfer utility assets to Confluence, and transfer the CCNs currently held by Cannon Home to Confluence upon closing on the proposed system;
2. Upon closing of the asset transfer, authorize Cannon Home to cease providing service, and authorize Confluence to begin providing service;
3. Require Confluence to submit an adoption notice prior to closing on the assets, to adopt the existing Cannon Home tariffs;
4. Require Confluence to keep financial books and records for plant-in-service, revenues, and operating expenses (including invoices) in accordance with the NARUC Uniform System of Accounts, as required by Commission regulations 20 CSR 4240-61.020 for sewer utilities. Require the cost of individual plant assets

to be booked into the appropriate plant account with the original cost, current depreciation reserve, and year of construction;

5. Require Confluence to keep Cannon Home's books and records separate from Confluence's other service areas, update Cannon Home's rate base value through the closing date of the transaction to reflect any additions and retirements, and to maintain the documentation for review in Confluence's next rate case;
6. Require Confluence to adhere to the acquisition accounting guidance provided in the USOA so that a request for rate recovery can be properly audited in Confluence's next rate case;
7. Require CSWR to provide training to its call center personnel regarding rates and rules applicable to Cannon's customers;
8. Require CSWR 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 CSWR 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 CSWR, within ten (10) days after closing on the assets;
10. Require CSWR to provide to the CXD Staff a sample of five (5) billing statements from the first three (3) months' billing for the system within ten (10) days of the billings;
11. Require CSWR 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;
12. Require CSWR to adhere to Commission Rule 20 CSR 4240-60.050(2) and provide notice to customers in all future CCN applications within twenty (20) days after the filing of the application.[33]
13. Require CSWR 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; and
14. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

[33] Because CSWR is purchasing an existing sewer system that currently provides service to customers, notice was required to be sent to all potential customers within twenty days after the Application was filed. CSWR sent this letter 22 days after the Application.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. and United Fiber, LLC d/b/a United Fiber MO, LLC, for Authority to Acquire and Sell Certain Sewer Assets in an Area of Nodaway and Andrew Counties, Missouri	)))))))	**File No. SM-2025-0369**

AFFIDAVIT OF JOHNNY GARCIA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JOHNNY GARCIA 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.

JOHNNY GARCIA

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 22nd day of September 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 Company, Inc. and United Fiber, LLC d/b/a United Fiber MO, LLC, for Authority to Acquire and Sell Certain Sewer Assets in an Area of Nodaway and Andrew Counties, Missouri	)))))))	**File No. SM-2025-0369**

AFFIDAVIT OF SCOTT J. GLASGOW

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW SCOTT J. GLASGOW 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.

SCOTT J. GLASGOW

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 22nd day of September 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

In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. and United Fiber, LLC d/b/a United Fiber MO, LLC, for Authority to Acquire and Sell Certain Sewer Assets in an Area of Nodaway and Andrew Counties, Missouri	)))))))	**File No. SM-2025-0369**

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 23rd day of September 2026.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission: 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 Company, Inc. and United Fiber, LLC d/b/a United Fiber MO, LLC, for Authority to Acquire and Sell Certain Sewer Assets in an Area of Nodaway and Andrew Counties, Missouri	)))))))	**File No. SM-2025-0369**

AFFIDAVIT OF ASHLEY SARVER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW ASHLEY SARVER 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.

Ashley Sarver

ASHLEY SARVER

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 23rd day of September 2026.

Dianna L. Vaught

Notary Public

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

OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. and United Fiber, LLC d/b/a United Fiber MO, LLC, for Authority to Acquire and Sell Certain Sewer Assets in an Area of Nodaway and Andrew Counties, Missouri	)))))))	**File No. SM-2025-0369**

AFFIDAVIT OF DARONN A. WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DARONN A. WILLIAMS 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.

Daronn A. Williams
DARONN A. WILLIAMS

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 22nd day of September 2026.

Dianna L. Vaught
Notary Public

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