BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. and Cannon Home Association, Inc., for Authority Allowing Confluence to Acquire Certain Sewer Assets and for a Certificate of Convenience and Necessity to Provide Sewer Service in an Area of Ralls County, Missouri	)	**File No. SM-2026-0369**

STAFF'S REPORT
AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), and, in response to the Commission's Order Directing Staff to File a Recommendation and Setting Time for Responses, states as follows:

Procedural History

1. On June 23, 2026, Confluence Rivers Utility Operating Company, Inc. ("Confluence") and Cannon Home Association, Inc. ("Cannon Home") filed their Joint Application and Motion for Waiver ("Application"). The Application requests Commission authority under section 393.190, RSMo, for Cannon Home to transfer its sewer-system assets to Confluence and requests a certificate of convenience and necessity ("CCN") under section 393.170, RSMo, authorizing Confluence to own, operate, control, manage, and maintain the sewer system serving portions of Ralls County. The Application also requests waiver, for good cause, of the 60-day prefiling-notice requirement in Commission Rule 20 CSR 4240-4.017(1).

2. On June 25, 2026, the Commission issued its Order Directing Notice, Setting an Intervention Deadline, and Directing Staff to File a Pleading. The Commission directed notice to the Ralls County Commission and the Missouri Department of Natural Resources, directed that notice be made available to media serving Ralls County, established July 15, 2026, as the intervention deadline, and directed Staff to state by July 22, 2026, when it could file its recommendation. The order also stated that both Confluence and Cannon Home are regulated by the Commission.

3. No application to intervene was filed by the July 15, 2026 deadline. On July 17, 2026, Confluence filed a Notice of Mailing stating that it mailed notice to Cannon Home's customers on July 15, 2026.

4. On July 22, 2026, Staff filed Staff's Suggested Report and Recommendation Deadline. Staff reported that it had begun its investigation and issued twenty-one data requests, and requested that its Report and Recommendation be due 60 days after July 22, 2026.

5. On July 23, 2026, the Commission issued its Order Directing Staff to File a Recommendation and Setting Time for Responses. The Commission directed Staff to file its recommendation no later than September 21, 2026, and directed that any responses to Staff's recommendation or the Application be filed no later than October 2, 2026. On September 23, 2026, the Commission extended Staff’s deadline to September 28, 2026, and the deadline for responses thereto to October 9, 2026.

Applicable Legal Standards

6. For the transfer of regulated utility property, Section 393.190.1, RSMo, prohibits a sewer corporation from selling, assigning, leasing, transferring, mortgaging, or otherwise disposing of or encumbering all or any part of its franchise, works, or system that is necessary or useful in performing its duties to the public without first obtaining Commission authorization. A transfer made other than in accordance with the Commission's authorization is void. The governing decisional standard is whether the proposed transfer is detrimental to the public interest. The Commission may not require the transfer to affirmatively benefit the public; it must determine that the change will not work a public detriment.[1] The Commission considers all relevant benefits and detriments, but the applicant need not establish that the transfer is the best alternative, produces the greatest public benefit, or produces any net benefit; the applicant must show only that the proposed transfer will not result in a net public detriment.[2]

7. For a certificate of convenience and necessity, Section 393.170.3, RSMo, authorizes the Commission, after due hearing, to grant a CCN when it determines that the proposed construction or exercise of a right, privilege, or franchise is "necessary or convenient for the public service."

8. The Commission may impose conditions it deems reasonable and necessary. In deciding whether that statutory public-service standard is satisfied, the Commission

[1] *State ex rel. City of St. Louis v. Pub. Serv. Comm'n of Mo*., 335 Mo. 448, 73 S.W.2d 393, 400 (Mo. banc 1934); *State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz*, 596 S.W.2d 466, 468 (Mo. App. E.D. 1980); *Env't Utils., LLC v. Pub. Serv. Comm'n,* 219 S.W.3d 256, 265-66 (Mo. App. W.D. 2007).

[2] *Osage Util. Operating Co. v. Mo. Pub. Serv. Comm'n*, 637 S.W.3d 78, 92-94 (Mo. App. W.D. 2021); see also *State ex rel. AG Processing, Inc. v. Pub. Serv. Comm'n*, 120 S.W.3d 732, 735-37 (Mo. banc 2003).

commonly considers the five Tartan factors: (1) need for the service; (2) the applicant's qualifications; (3) the applicant's financial ability; (4) the proposal's economic feasibility; and (5) promotion of the public interest. In re Tartan Energy Co., Case No. GA-94-127, Report and Order, 3 Mo. P.S.C. 3d 173, 177 (Sept. 16, 1994).

The Cannon Home System Is Regulated

9. The record establishes that the system Confluence proposes to acquire is a regulated utility system. The Application states that Cannon Home provides sewer service to approximately 126 connections, is a "sewer corporation" and a "public utility" within section 386.020, RSMo, and is subject to the Commission's jurisdiction and supervision. Cannon Home presently holds the affected CCN and has filed annual reports with the Commission. Consistently, the Commission's June 25, 2026. order expressly states that both Confluence and Cannon Home are regulated by the Commission. The transaction therefore concerns the transfer of assets necessary or useful to a regulated sewer corporation's public service and requires Commission approval under section 393.190.1, RSMo.

Staff Memorandum and Recommendation

10. Staff's Memorandum, attached as **Confidential Appendix A**, is incorporated by reference as if fully set forth in this Report and Recommendation. The Memorandum sets out fully and in complete detail Staff's investigation, findings, conclusions and the reasons for those conclusions, and recommendations.

11. Based on that investigation, Staff concludes that the transfer of Cannon Home's regulated sewer-system assets to Confluence is not detrimental to the public

interest; that the statutory standard for Commission approval under section 393.190 is satisfied; and that the requested CCN authority is necessary or convenient for the public service, promotes the public interest, and satisfies the five Tartan factors. Staff recommends that the Commission approve the transfer and grant or transfer the necessary CCN authority, subject to the following conditions and actions:

(a) Authorize Cannon Home to sell and transfer its utility assets to Confluence and transfer the CCN presently held by Cannon Home to Confluence upon closing;

(b) Upon closing, authorize Cannon Home to cease providing service and authorize Confluence to begin providing service;

(c) Require Confluence, before closing, to submit an adoption notice adopting Cannon Home's existing tariffs;

(d) Require Confluence to maintain financial books and records for plant in service, revenues, and operating expenses, including invoices, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, as required by Commission Rule 20 CSR 4240-61.020, and to record individual plant assets in the appropriate plant accounts with original cost, current depreciation reserve, and year constructed;

(e) Require Confluence to keep Cannon Home's books and records separate from those for Confluence's other service areas, update Cannon Home's rate-base value through closing to reflect additions and retirements, and preserve supporting documentation for review in Confluence's next general rate case;

(f) Require Confluence to follow the Uniform System of Accounts acquisition-accounting guidance so that any future request for rate recovery can be properly audited;

(g) Require Central States Water Resources, Inc. ("CSWR") to train its call-center personnel regarding the rates and rules applicable to Cannon Home's customers;

(h) Require CSWR, within 30 days after closing, to distribute to the system's customers an informational brochure describing the utility's and customers' rights and responsibilities consistent with 20 CSR 4240-13;

(i) Require CSWR, within 10 days after closing, to provide Staff's Customer Experience Department ("CXD") an example of its actual communication to the system's customers concerning the acquisition, system operation, and means of contacting CSWR;

(j) Require CSWR to provide CXD Staff a sample of five billing statements from the system's first three months of billing within 10 days after those billings;

(k) Require CSWR to file notice in this case within 10 days after completing the recommended training, communications, notifications, and billing requirements;

(l) Because the customer notice required by 20 CSR 4240-60.050(2) was sent 22 days after the Application was filed, require CSWR in all future CCN applications to comply with the rule's requirement that notice be provided within 20 days after filing;

(m) Require CSWR, after closing, to include the acquired wastewater customers in its established ongoing monthly reporting to CXD Staff concerning customer-service and billing issues; and

(n) Make no finding that would preclude the Commission from determining in a later proceeding the ratemaking treatment of any matter arising from the acquisition.

WHEREFORE, Staff respectfully requests that the Commission accept this Report and Recommendation and the attached and incorporated Staff Memorandum; find that the proposed property transfer is not detrimental to the public interest; find that the requested CCN authority is necessary or convenient for the public service and promotes the public interest; approve the transfer of Cannon Home's sewer-system assets and CCN to Confluence; grant Confluence the authority necessary to provide sewer service in the certificated Ralls County service area; impose the conditions recommended above and in the Staff Memorandum; grant the requested waiver for good cause shown; and grant such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Paul T. Graham

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 28th day of September, 2026.

/s/ Paul T. Graham