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	)))))	**Case No. SM-2026-0369**

STAFF'S REPLY TO THE OFFICE OF THE PUBLIC COUNSEL'S RESPONSE TO STAFF'S REPORT AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and respectfully replies to the Office of the Public Counsel's ("OPC") Response to Staff's Report and Recommendation as follows:

I. Issue Presented

1. OPC requests that the Commission condition approval of the proposed transfer of Cannon Home Association, Inc.'s wastewater system to Confluence Rivers Utility Operating Company, Inc. ("Confluence") upon Confluence's agreement never to seek recovery of the acquisition premium from its customers.

2. Staff opposes that proposed condition. The Commission should consider the acquisition premium in evaluating the proposed transfer, while expressly preserving future ratemaking determinations. Confluence's surrender of its ability to request recovery should not be a condition of the sale.

II. Consideration of the Premium Does Not Require OPC's Proposed Condition

3. Under *State ex rel. AG Processing, Inc. v. Public Service Commission*, 120 S.W.3d 732, 736 (Mo. banc 2003), the Commission must consider the acquisition premium's reasonableness as part of its evaluation of whether the proposed transaction is

detrimental to the public. Staff acknowledges that reserving future ratemaking issues does not substitute for that evaluation.

4. That requirement, however, does not establish a categorical rule that approval must depend upon the purchaser's permanent relinquishment of any future request for recovery. Consideration of the premium's significance to the transfer and adjudication of its ultimate treatment in customer rates are related but distinct determinations.

5. Staff identified the premium, calculated the system's net book value, and recommended acquisition accounting requirements. Those measures do not themselves resolve the premium's reasonableness, but neither do the premium's existence and Confluence's stated intention to seek recovery establish, standing alone, that the transaction will produce a net public detriment.

6. OPC's cited Commission decisions demonstrate that prohibiting recovery is one means of addressing an acquisition premium. They do not establish that such a prohibition is mandatory in every transfer proceeding.

III. Future Ratemaking Determinations Should Be Expressly Reserved

7. Approval of the transfer should confer no entitlement to recover the acquisition premium. Any subsequent request must be evaluated under the applicable law and evidence, without treating transfer approval as approval of the premium's inclusion in rates.

8. Staff reserves all rights to oppose inclusion of any acquisition premium in rate base, revenue requirement, or customer rates in a future rate proceeding.

9. Staff recommends that the Commission include the following clarification in its approval order, as a reservation of future ratemaking determinations rather than a condition of the sale:

"Approval of the transfer, and of any associated certificate of convenience and necessity, does not approve recovery of an acquisition premium or determine its prudence, reasonableness for ratemaking purposes, or eligibility for recovery. Those determinations are expressly reserved. Neither this approval nor Staff's recommendation creates a presumption favoring recovery or limits Staff's or any other party's right to oppose recovery in a subsequent proceeding."

IV. Relief Requested

WHEREFORE, Staff respectfully requests that the Commission consider the acquisition premium in determining whether the proposed transfer is detrimental to the public, decline to impose OPC's proposed prohibition against ever seeking future recovery as a condition of the sale, and expressly reserve subsequent ratemaking determinations in its approval Order.

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 16th day of October, 2026.

/s/ Paul T. Graham