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**

REPLY TO OPC RESPONSE TO STAFF RECOMMENDATION

COMES NOW Confluence Rivers Utility Operating Company, Inc. ("Confluence Rivers") and for their *Reply to OPC Response to Staff Recommendation* states as follows to the Missouri Public Service Commission ("Commission"):

1. On September 28, 2026, Staff filed its *Report and Recommendation* and supporting *Memorandum* suggesting that the Commission approve the *Application*, subject to the conditions/actions outlined in the Staff *Memorandum*. On October 8, 2026, Confluence Rivers and Cannon Home filed their response indicating that they have no objection to the Staff's proposed conditions/actions.

2. On October 9, 2026, the Office of the Public Counsel ("OPC") filed its *Response to Staff Recommendation* and indicated that it " recommends that the Commission impose a condition that prohibits Confluence from requesting recovery of the premium in a future rate case, in addition to the conditions proposed by Staff in its Recommendation" and in the alternative, "if the Commission does not impose the OPC's recommended condition, the OPC opposes the transaction as being detrimental to the public and requests that the Commission hold a hearing in this matter (OPC Rsp., p. 1, 9).

3. OPC's objection is based on its allegation that there is a "large acquisition premium" associated with this transaction and the statement in the Application that Confluence Rivers "intends to seek recovery of a premium associated with this transaction in future rates." (OPC Rsp., p. 1).

4. OPC provides the following citations to case law:

> Section 393.190.1 of the Revised Statutes of Missouri governs the sale of any portion of a sewer corporation's system that is "necessary or useful in the performance of its duties to the public" and requires Commission approval prior to the sale. § 393.190.1 RSMo.
>
> The Missouri Supreme Court has recognized that "[a] property owner should be allowed to sell his property unless it would be detrimental to the public." *State ex re. St. Louis v. Pub. Serv. Comm'n,* 73 S.W.2d 393, 400 (Mo. 1934). The Commission need not find a public benefit as a result of the transaction, but the transaction cannot result in a net detriment to the public. *See Osage Util. Operating Co. v. Mo. Pub. Serv. Comm'n*, 637 S.W.3d 78, 93 (Mo. Ct. App. 2021) (citing *St. Louis*, 73 S.W.2d at 400).
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> To determine whether a sale is detrimental to the public, the Commission must "consider all relevant factors." *Id.* (citing *AG Processing, Inc.*, 120 S.W.3d at 736). Although no exhaustive list of considerations has been identified, courts will find the Commission's decision unreasonable "if it 'erroneously ignores evidence that may have substantially impacted the weight of the evidence evaluated to approve' the transaction." *Id.* (citing *State ex rel. Praxair, Inc. v. Pub. Serv. Comm'n*, 344 S.W.3d 178, 184 (Mo. banc 2011)).

(OPC Rsp., p. 5).

5. Applicants disagree with OPC's application of that case law to the facts of this case. The "large acquisition premium" referenced by OPC as over ** 55% ** of the purchase price is approximately ** $75,100 ** as of June 30, 2026. (OPC Rsp., 3).

6. Staff finds that "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." (Staff Memo., p. 11 of 18). The existence of this acquisition premium will not impact Confluence Rivers' financial ability to provide service to its customers in any meaningful way.

7. OPC states that "given the nature of utility ratemaking and how costs are typically spread across ratepayers, if the Commission allows Confluence to recover the acquisition premium in its next rate case, it will necessarily make its customers' rates higher than they would have otherwise been, due to Confluence's management's decision to pay more than the net book value for the Cannon Home system." (OPC Rsp., p. 8). This assumes that the Commission would approve recovery of an acquisition premium without any basis for doing so. One would anticipate that any such recovery that might be approved in a general rate case would require a decision that the recovery is justified by facts related to the transaction and that recovery would result in just and reasonable rates after consideration of all relevant factors.

8. Moreover, when the approximate acquisition premium of ** _____ ** is compared to Confluence Rivers' $23,135,239 net sewer plant in service[1], it can be seen that even if recovery through rate base were permitted, the impact would be very small across Confluence Rivers' customer base. Moreover, assuming a 6.5% return and recovery of a ** _____ **

[1] 2025 Annual Report, p. 4.

acquisition premium over thirty years, the levelized annual revenue requirement impact would be approximately ** _____ **. This compares to annual sewer operating revenues of $4,775,895.[2] All else being equal, an acquisition premium recovery in this amount would have an approximate ** _____ ** impact on annual revenue requirement.[3]

9. OPC quotes language from *State ex rel. AG Processing v. PSC of Mo.*, 120 S.W.3d 732, 736 (Mo. 2003) indicating that "[w]hile PSC may be unable to speculate about future merger-related rate increases, it can determine whether the acquisition premium was reasonable, and it should have considered it as part of the cost analysis when evaluating whether the proposed merger would be detrimental to the public."

10. First, for context, it needs to be recognized that the *AG Processing* case concerned the merger of UtiliCorp United, Inc. (later named Aquila, Inc.) and St. Joseph Light & Power Company. The acquisition premium associated with the merger was approximately $92,000,000. *Id*. at 733. Thus, the significance of the premium was great.

11. Here, the Commission need not ignore the acquisition premium. It can decide that given the amount of the acquisition premium in relation to the size of Confluence Rivers, the sale is not detrimental to the public interest.

CONCLUSION

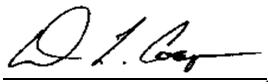
If approval of this transaction is granted, Confluence Rivers "shall initially establish net book value for the wastewater system as of June 30, 2026, utilizing Staff's calculation of net book value." (Staff Memo., p. 13 of 18). Confluence Rivers does not seek regulatory treatment for acquisition premiums or discounts as part of the application. (Staff Memo., p. 12 of 18). However, the Commission need not ignore this evidence. Even if the Commission were to ultimately grant

[2] 2025 Annual Report, p. 1.
[3] ** _____ ** ÷ $4,775,895.

recovery of the acquisition premium in a future rate case, such grant, given the size of Confluence Rivers, the approximate acquisition premium associated with this transaction would not have an impact on Confluence Rivers' ability to provide service and finance its operations, nor have a material impact on rates for its customers.

WHEREFORE, Confluence Rivers request the Commission issue an order approving their *Application*, authorizing Confluence Rivers and Cannon Home to consummate the transaction in accordance with the terms and conditions of the *Agreement For Sale of Utility System*, granting Confluence Rivers a CCN as recommended in Staff's *Memorandum*, granting a waiver of Rule 20 CSR 4240-4.017(1), and granting such other and further relief as deemed appropriate in the circumstances.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on October 19, 2026, to the following:

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