

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Proposed)
Rule 20 CSR 4240-10.195 Appraisal)
Requirements for Acquisition of a) File No. WX-2026-0108
Small Water or Sewer Utility to be)
used by a Large Water or)
Sewer Public Utility)

**MISSOURI-AMERICAN WATER COMPANY'S
RESPONSIVE COMMENTS**

COMES NOW Missouri-American Water Company (“MAWC” or “Company”) and provides its responsive comments concerning Proposed Rule 20 CSR 4240-10.195 in response to the Staff of the Commission (“Staff”) and the Office of the Public Counsel (“OPC”):

1. On November 18, 2025, the Commission issued a Notice of Hearing and Comment Period establishing that comments must be received on or before December 31, 2025, and scheduling a public hearing regarding the proposed rule for January 7, 2026.
2. This Proposed Rule specifically addresses the requirements for using an appraisal to set the ratemaking based in an acquisition of a small water and/or sewer utility by a large public water utility in Senate Bill 4, as amended and codified in section 393.320, RSMo, effective August 28, 2025.
3. MAWC filed initial comments in the rulemaking on December 19, 2025.
4. The Staff filed general comments on December 30, 2025, and the OPC filed its proposed rule changes on December 31, 2025. On the morning of January 7, 2026, Staff filed a responsive document addressing MAWC’s comments and OPC’s comments.
5. Representatives of MAWC, OPC, and Staff appeared at the hearing on January 7, 2026 and presented comments. OPC and MAWC asked for an opportunity to respond to those

comments provided the day of the hearing. The RLJ agreed to leave the record open through January 8, 2026, for such responsive comments.

6. MAWC will limit its responsive comments to two matters: 1) the need for a process to guide the Commission's possible appointment of an appraiser; and, 2) the importance of clarification as to eligible appraisers.

Commission Appointment of an Appraiser

7. MAWC believes it is essential for the Commission to establish a clear process for appointing an appraiser, and equally important, making it known that it has chosen to not appoint its own appraiser. Staff commented in Exhibit 1 as to this issue as follows: "Staff recommends the rule remain silent in order to provide flexibility to the Commission."

8. Section 393.320.3(2)(a), RSMo, anticipates a "joint appraisal" ("The appraisers shall: (a) Jointly prepare a fair and independent appraisal. . . ."). Thus, the appraisal process may not start until the Commission has determined whether or not it will appoint an appraiser and, if so, an appraiser is engaged.

9. Especially with municipalities and other government sellers, the appraisal is a very early step in the process. MAWC notes that municipal referenda, often required for acquisitions, must have the purchase price and ballot language finalized well in advance of an election. To appear on the ballot for a vote by the people, these details must be completed according to the Missouri election calendar as published by the Secretary of State's office.¹ The submittal date for ballot language is typically at least ten weeks prior to the election. For example, for a measure to appear on the November 3, 2026 ballot, it must be certified by August 25, 2026. An undefined

¹ <https://www.sos.mo.gov/elections/calendar/2026cal>

period for possible appointment of a Commissioner appraiser (or decision to not appoint) will place both the potential seller and purchaser in limbo.

10. For these reasons, MAWC supports OPC's proposed language regarding the Commission's appointment of an appraiser, as outlined in MAWC's Exhibit 4, Section (1)(A)–(D), with minor edits and the addition of the following sentence to the end of OPC's proposed paragraph C: "The appointment shall be completed within 75 days after receipt of the large water public utility's notice." (See MAWC's Exhibit 4).

Appraiser Eligibility

11. MAWC proposed language to clarify the eligibility of appraisers to participate in this process.

12. Section 393.320.3(1) states that "Each of the appraisers shall be a disinterested person who is a certified general appraiser under chapter 339." The original rule proposal includes the following statement:

An appraiser or consulting engineer appointed for the purposes of this rule shall not be a creditor, equity security holder, or a shareholder of the utilities subject to the acquisition, and shall not have any material interest in either utility, or other large water or sewer public utilities.

13. MAWC proposes two clarifications as to the meaning of "creditor" and the meaning of "shareholder." (See MAWC's Exhibit 4).

14. Staff's comments reject the creditor definition by stating:

Staff recommends rejecting this addition as unnecessary. Staff is unaware of a case where defining a creditor has been raised or been a contested issue. Because such a definition would be applicable to most cases before the Commission, if a definition becomes necessary Staff suggests it appears in statute.

15. Staff rejects the clarification as to ownership of shares by stating as follows:

Staff does not agree with MAWC due to the term “disinterested person” as established in 393.320.3.(1). Efforts to redefine this term would be best accomplished through the statute.

16. The proposed rule is already attempting to redefine the term “disinterested person” as it excludes “a creditor, equity security holder, or a shareholder of the utilities subject to the acquisition and shall not have any material interest in either utility, or other large water or sewer public utilities.” If the Commission’s intent is to not redefine the term “disinterested person,” then subsection (1)(A) should be deleted in total. However, if that definition of eligibility remains in the rule, MAWC’s clarification should be added so that the Commission doesn’t further limit what is already a small pool of appraisers by assuming a material interest where none truly exists.

17. MAWC believes the rule without its definitions is too vague and broad and that it will, in effect, restrict the number of appraisers available and may eliminate all of them from eligibility. As filed, MAWC believes that the rule may exclude an appraiser or engineer who owns an S&P 500 index fund and thus indirectly owns American Water Works Company, Inc. (MAWC’s parent company) stock. Further, MAWC is concerned with the use of “creditor” within the rule without further clarification because as part of its ordinary business MAWC works with engineers, engineering firms and appraisers. MAWC could have multiple projects occurring at the same time, for which appraisers may be billing as a creditor of MAWC for a temporary period, who then would be unable to participate in future projects. Further, MAWC could employ an engineering firm involved with an appraisal for an entirely unrelated matter, making them a creditor and ineligible under this rule. Further, if an engineer or appraiser has performed work for an affiliate company of MAWC, this may open the door for them to also be deemed a creditor and not eligible for this Missouri process. If subsection (1)(A) remains in the rule, the rule needs clarification as proposed by MAWC.

18. MAWC has agreed with OPC's proposal to include a reference to the Uniform Standards of Professional Appraisal Practice (USPAP) which includes an Ethics Rule.² In the absence of a specific definition of disinterested person, the Commission should allow the appraisal community to police that industry and not place additional undefined conditions on the employment of appraisers.

19. The OPC proposes an additional phrase in this section – “An appraiser or consulting engineer appointed for the purposes of this rule shall not be associated with ~~a creditor, equity security holder, or a shareholder~~ of the utilities subject to the acquisition” Staff states that it does not oppose this change.

20. MAWC believes this additional insertion of the undefined “associated with” would further cloud the eligibility of potential appraisers and should not be added to the rule. Without definition, it would be subject to a wide range of possible disqualifications, from the obvious (officers, directors and employees of one of the utilities) to the less obvious (a person previously hired for an appraisal by one of the utilities).³ The phrase “associated with” should not be added to the proposed rule.

WHEREFORE, MAWC respectfully requests the Commission consider these Comments and, thereafter, revise the proposed rule consistent therewith.

² Standards of Profession Appraisal Practice (USPAP), 2024 Edition Standards 1-4; p. 5 Ethics Rule.

³ Meriam-Websters Dictionary defines “associated” as 1: joined together often in a working relationship; 2: related, connected, or combined together.

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 or U.S. Mail on January 8, 2026, to the following:

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